Governor's Budget
State of Montana
Fiscal Years 1998-1999

Marc Racicot
Governor

Treasure State Endowment Program Legislative Report For The 1998-1999 Biennium

Montana Department of Commerce

Volume 4

TREASURE STATE ENDOWMENT PROGRAM

Legislative Report
For the 1998-1999 Biennium

Policy Issues, Project Evaluations and Recommendations

Montana Department of Commerce
Jon Noel , Director

December, 1996

Table of Contents

ALPHABETICAL INDEX FOR 1997 TSEP APPLICATION SUMMARIES

ALPHABETICAL INDEX
FOR 1997 TSEP APPLICATION SUMMARIES

Appendices

A. Essay Sample

B. Water Quality and Source Capacity Chart

C. Cost Estimates for Texas Creek Project

PART 1
TSEP PROGRAM SUMMARY

1. The Treasure State Endowment Program (TSEP) is a State-funded public facilities program established by the Legislature and approved by Montana Voters in 1992, designed to assist communities in financing drinking water systems, wastewater treatment facilities, sanitary or storm sewer systems, solid waste disposal and separation systems, and bridges.

2. Eligible applicants for the TSEP include cities, towns, counties as well as county or multi-county water, sewer, or solid waste districts.

3. Eligible applicants may submit one application for up to $500,000 in TSEP grant or annual debt subsidy funds for construction projects. Eligible applicants may also apply for construction loans or for loans for the preparation of preliminary engineering plans.

4. For the 1997 biennium, 21 projects requesting $7.19 million in TSEP funds were submitted to the program and resulted in the Legislature approving 15 projects totaling $4.99 million in TSEP funds. For the 1999 biennium, 40 projects have been submitted requesting $15.52 million in TSEP funds.

5. Based on revenue estimates developed by the Department of Commerce (DOC) in August, 1996, it is estimated there would be from $7.9 to $9 million in coal severance tax interest available for TSEP funding awards for fiscal years 1998 and 1999. This is a net figure, after deducting administrative and operational costs.

6. DOC's research findings indicate that the principal reason why so many local public facilities are deficient is that most options for correcting deficiencies are simply not considered affordable by local residents. This is especially true for most of Montana's communities because these facilities are very expensive to construct, the cost is usually divided among a relatively small number of households and the community may also need to upgrade other facilities at the same time. The TSEP Program has been designed to help address that "affordability" problem.

7. During the original legislative discussion of TSEP, legislators stated that applicants should make the maximum effort to pay for local public facility projects with their own resources before they ask the State to subsidize a local project. There was also a strong consensus among the local officials and legislators that participated in the public hearings on TSEP that communities should participate in the funding of any public facility project in proportion to their financial resources. The challenge is to try to define a reasonable "maximum local effort." In particular, the State had to find a way to estimate whether an individual TSEP applicant needed a TSEP grant, a loan, or a grant/loan combination to make the applicant's project affordable and feasible, yet ensuring "maximum local financial effort" on behalf of the applicant.

   In order to objectively analyze applications for funding, TSEP has attempted to estimate what is reasonable level of affordability and has recommended "target rates" which applicants are expected to reach before grant funds are generally recommended for the project. Target rates are based on a percentage of a community's median household income, making target rates unique financial measures for each of Montana's communities and allowing TSEP staff to objectively compare the relative financial capacity of each applicant. TSEP staff recommend loans when grant funds have been recommended for reduction or not recommended at all, if the project is financially feasible and affordable.

8. Over 90 percent of the TSEP applications have requested matching grants in the first three funding cycles. Grants have been the preferred type of TSEP funding by local governments for various reasons. The most important reason is the affordability issue discussed above which indicates that grants are needed to make most local projects financially feasible and affordable. An article in the Montana Policy Review by Kenneth L. Weaver of Montana State University titled "The Treasure State Endowment Program: A Question of Incentives," reported that low-interest loans may not provide sufficient incentive to communities to take on an expensive infrastructure project that will create user fees that will not be affordable to the users of the system. In summary, the article discusses how most of Montana's communities need significant grants to write down the total cost of projects and that some jurisdictions cannot service the long-term debt of a loan at any rate of interest. Secondly, if a loan is appropriate, there are numerous other low interest loans for water and wastewater projects already available through other state and federal funding programs. Finally, grant funds are extremely limited.

9. The policy recommended by DOC and the Governor in 1993 and 1995 and established by the 1993 and 1995 Legislatures was that grant funds should only be approved for projects where the applicant is unable to borrow funds or obtain grants or other financing from other sources at reasonably affordable rates. In other words, the TSEP is a "gap financing" program. The DOC and the Governor recommend the continuance of this policy to the 1997 Legislature.

10. TSEP funding applications are ranked by DOC. The Governor reviews DOC's recommendations and submits his recommendations to the Legislature. The Legislature makes the final decisions on funding awards. Review and ranking of applications is a two stage process. First, DOC is required by statute to review and rank TSEP project proposals and prepare a list of recommended projects, based on ten statutory priorities. Secondly, DOC is also required by statute to recommend the form of financial assistance for each project.

PART 2
ACCOMPLISHMENTS OF THE TSEP PROGRAM

IMPROVEMENTS TO TSEP SINCE THE 1995 LEGISLATURE

Common Application Forms - DOC's TSEP and Community Development Block Grant programs, working closely with the Department of Natural Resources and Conservation Renewable Resource Program, have developed common application forms to make it easier for local government applicants to apply for funds from any or all of the three programs. Forms common to all three programs include: an application summary form, budget form, financial information form, preliminary engineering plan format, and an environmental assessment form. Application workshops and review procedures were also coordinated wherever possible.

Neighborhood Projects More Competitive For TSEP Funding - Due to suggestions from local governments, TSEP now allows the use of census and financial data for applications for a specific area of the city or town as compared to using data for the entire jurisdiction. As a result, household incomes may be considerably less than the city as a whole, making the neighborhood project much more competitive in the financial analysis. For example, neighborhoods currently using individual wells and septic systems frequently need to convert to central public water and sewer systems to protect public health. Because the cost is borne by a limited number of residents and businesses, these neighborhoods often do not get hooked-on. This new TSEP policy makes these neighborhood projects more competitive in the financial analysis and helps to bring these neighborhoods onto central water and sewer systems with utility rates which are affordable. Neighborhood projects in counties are also more competitive.

Financial Analysis - DOC further refined and simplified its financial analysis methodology. DOC also worked extensively with TSEP applicants before they submitted applications so that they would have a better understanding of the financial analysis process. This clearly enabled applicants to design more "fundable" financial packages. While no system is perfect, the methodology used in the financial analysis represents ten years of effort to develop a system that analyzes relative financial need and capacity, and that is fair and equitable to all applicants. The DOC financial analysis methodology is considered a model nationally and was highlighted at the Council of State Community Development Agencies Annual Infrastructure Workshop held in Washington D.C. in May, 1996.

Technical Assistance To Counties For Bridge Planning and Financing - DOC is currently preparing a manual to assist counties with preparing capital improvement plans to repair, replace, and finance roads and bridges. This technical assistance will improve the ability of county governments to prepare applications for TSEP bridge projects which meet the minimum requirements for financial feasibility and demonstrate financial need.

PROJECTS APPROVED BY THE 1993 LEGISLATURE

For the fiscal years 1994 and 1995, 32 applications requesting $11,627,000 in TSEP funds were submitted. The 1993 legislature approved 24 projects totaling $4,134,458 in TSEP funds. The 1993 legislature authorized the department to borrow $4,134,458 from the Board of Investments in order to "jump start" TSEP and fund all 24 projects approved by the legislature. Without this jump start loan and because of the TSEP cash flow mechanics, only 6 of the 24 needed community projects would have been funded otherwise. The subsequent pages include a summary of each active project.

NAME OF APPLICANT -	**Anaconda-Deer Lodge**
PROJECT TYPE	Water System
TSEP GRANT	$ 350,000
OTHER FUNDS	$4,240,000 Revenue Bonds
	$ 375,000 CDBG Grant
TOTAL PROJECT	$4,965,000

Project Summary - Anaconda-Deer Lodge was required to improve its water system to comply with state and federal water quality standards. The City was under a Montana Department of Environmental Quality (DEQ) boil order. Major elements of the project included: construction of a water storage tank and related transmission piping and equipment; renovation of the system's three existing wells, construction of three new wells, and improvement of pumping facilities; and improvements to the distribution system, primarily focusing on main replacement under Anaconda's two major arterial streets in conjunction with a Montana Department of Transportation (DOT) pavement renewal project.

NAME OF APPLICANT -	**Beaverhead County**
PROJECT TYPE	Solid Waste
TSEP GRANT	$ 160,000
OTHER FUNDS	$ 160,000 Beaverhead County
TOTAL PROJECT	$ 320,000

Project Summary - The landfill was located directly above City of Dillon's water supply and the Beaverhead River. The situation was considered a significant threat to public health, and there was a DEQ mandate to close and reclaim the site. The closure involved covering the old site; contouring and building diversion ditches for rainfall and runoff; reseeding the area with native vegetation; and implementing an on-going, 30-year monitoring program.

NAME OF APPLICANT -	**Butte-Silver Bow**
PROJECT TYPE	Butte Water System
TSEP GRANT	$ 300,000
OTHER FUNDS	$24,406,000 Revenue Bonds
TOTAL PROJECT	$24,706,000

Project Summary - Butte-Silver Bow was required to improve its water system to comply with state and federal water quality standards. Major elements of the project included: various improvements to the water transmission and distribution system; various water storage improvements including the construction of a new 10 million

gallon storage tank and a new reservoir; and the construction of two new water treatment plants.

NAME OF APPLICANT -	**Carbon County**
PROJECT TYPE	Sand Ford Bridge
TSEP GRANT	$ 25,000
OTHER FUNDS	$ 59,700 Carbon County Bridge Fund
	$ 45,100 US Forest Service Grant
TOTAL PROJECT	$ 120,100

Project Summary - The Sand Ford Bridge provides access to the East Rosebud Canyon area south of Roscoe. The DOT considered the bridge an urgent and serious safety problem because it violated state bridge standards and used by 200 vehicles per day during summer months. The project consisted of construction of a new bridge complete with abutments and approaches.

NAME OF APPLICANT -	**Circle**
PROJECT TYPE	Water System
TSEP GRANT	$ 370,000
	$ 300,000 CDBG Grant
OTHER FUNDS	$ 872,600 RECD Loan
	$ 1,300,000 RECD Grant
TOTAL PROJECT	$ 2,842,600

Project Summary - Circle has received a noncompliance order from DEQ because of health risks posed by excessive fluorides and sodium in water supply, in violation of federal and state water quality standards. This project includes a new water treatment plant and water distribution lines. Reverse osmosis water treatment system is the selected process for eliminating sodium and fluoride from Circle's water.

NAME OF APPLICANT -	**Dutton**
PROJECT TYPE	Water System
TSEP GRANT	$ 50,000
OTHER FUNDS	$ 50,000 DNRC Grant
	$ 18,700 Town of Dutton
TOTAL PROJECT	$ 118,700

Project Summary - The project has improved Dutton's water storage and distribution system to provide adequate capacity for fire fighting. The project is the third of three phases of construction to improve the town's water system, which includes upgrading the existing supply system and transmission main. These improvements include: installation of a reliable transmission line, installation of a gas chlorination system, and improvements to the pumping station's valve work and piping.

NAME OF APPLICANT -	**Ennis**
PROJECT TYPE	Water System
TSEP GRANT	$ 100,000
OTHER FUNDS	$ 609,600 DNRC Loan
	$ 400,000 CDBG Grant
	$ 5,000 Town of Ennis
TOTAL PROJECT	$1,114,600

Project Summary - The project improved the Ennis' water storage and distribution system to provide adequate capacity for fire fighting. The major elements of the project included: construction of a new 500,000 gallon storage tank and the associated transmission main; a booster pump station; various distribution system improvements; and the replacement of inoperable fire hydrants.

NAME OF APPLICANT -	**Froid**
PROJECT TYPE	Water System
TSEP GRANT	$ 117,000
OTHER FUNDS	$ 25,000 Town of Froid
	$ 434,600 RECD Grant/Loan
TOTAL PROJECT	$ 576,600

Project Summary - Froid has experienced substandard drinking water for many years in the form of high sodium, manganese, nitrate and sulfate water contaminants and faces a critical water storage problem. Reverse osmosis water treatment process was the process selected for eliminating sodium and sulfate contaminants in Froid's drinking water. A new storage tank has improved the water chlorination system and ensures adequate water storage to meet operational standards and emergency needs for fire fighting.

NAME OF APPLICANT -	**Harlem**
PROJECT TYPE	Water Storage
TSEP GRANT	$ 217,300
OTHER FUNDS	$ 170,795 CDBG Grant
	$ 187,355 EDA
	$ 140,627 Western Bank Loan
	$ 26,000 City of Harlem
TOTAL PROJECT	$ 742,077

Project Summary - Town faces critical water storage problem. A new storage tank has improved the water chlorination system and provided adequate water storage to meet standards for fire fighting. The project involves the construction of a new 400,000 gallon tank located on a small hill north of the City to ensure good water pressures are achieved throughout the community. The new storage tank provides the City with adequate water supply to meet operational and emergency needs. The project also involves a thorough engineering study of the City's existing water distribution system, much of which was replaced in 1987.

NAME OF APPLICANT -	**Helena**
PROJECT TYPE	Water Storage
TSEP GRANT	$ 275,068
OTHER FUNDS	$ 825,203 City of Helena
TOTAL PROJECT	$ 1,100,271

Project Summary - The City of Helena needed to upgrade the Upper Hale Water System because existing deficiencies in water storage and main capacity created a serious fire protection problem. The project included: a new 200,000 gallon reservoir; new or replaced water mains; six fire hydrants; and a pumping station.

NAME OF APPLICANT -	**Lewistown**
PROJECT TYPE	Storm Drainage
TSEP GRANT	$ 60,000
OTHER FUNDS	$ 105,264 City of Lewistown
TOTAL PROJECT	$ 165,264

Project Summary - The project installed subsurface storm drainage facilities in a twelve block area of the city. Currently, poor drainage causes standing water which deteriorates streets, creates traffic hazards, and impacts neighboring residential and business properties. The project involved the installation of a subsurface conduit for the collection and conveyance of storm water in a twelve block area of the north central portion of the City.

NAME OF APPLICANT -	**Livingston**
PROJECT TYPE	Storm Drainage
TSEP GRANT	$ 100,000
OTHER FUNDS	$ 100,000 City of Livingston
TOTAL PROJECT	$ 200,000

Project Summary - A storm drainage system in a 27 block area on the east side of Livingston had deteriorated to the point that much of the system had collapsed. As a result, there was inadequate drainage of storm runoff and subsequent damage to private and public properties. The project involved replacement of: the collection drain inlets; storm drain pipes; and the outfall structure. A side benefit of the project is that the entire system is now located in the public right-of-way.

NAME OF APPLICANT -	**Missoula County-Sunset West Subdivision**
PROJECT TYPE	Water System
TSEP GRANT	$ 154,107
OTHER FUNDS	$ 155,000 Sunset West Homeowners Assoc. (Rural Improvement District)
TOTAL PROJECT	$ 309,107

Project Summary - Families in Sunset West subdivision have no drinking water due to contamination and failure of existing wells. The DEQ has issued an Administrative Compliance Order to the subdivision to provide an adequate water supply. The major elements of the project will be 10,000 linear feet of water main to connect a new off-site well to the existing storage tank.

NAME OF APPLICANT -	**Neihart**
PROJECT TYPE	Water System
TSEP GRANT	$544,673
OTHER FUNDS	$150,000 DNRC Loan
	$ 30,000 Town of Neihart
TOTAL PROJECT	$724,673

Project Summary - The Town of Neihart is under state district court order to improve its water system to comply with state and federal water quality standards, and has been under a DEQ boil order since 1982. The project included the construction of a new treatment plant.

NAME OF APPLICANT -	**Richland County**
PROJECT TYPE	Solid Waste
TSEP GRANT	$ 285,000
OTHER FUNDS	$ 785,140 Richland Bank
	$ 109,860 County Solid Waste District
	$ 102,500 Richland County
TOTAL PROJECT	$ 1,180,000

Project Summary - The county landfill site polluted groundwater and domestic wells located within a one mile radius of the landfill site in the area. The project consisted of closing the landfill and purchasing a site for and construction of a new landfill.

NAME OF APPLICANT -	**Ronan**
PROJECT TYPE	Sewer System
TSEP GRANT	$ 100,000
OTHER FUNDS	$ 89,126 City of Ronan
	$ 400,000 CDBG Grant
	$ 405,832 SRF Loan
	$ 114,500 DEQ Grant
TOTAL PROJECT	$ 879,662

Project Summary - City's sewage collection and treatment system has been in violation of federal and state water quality standards. The major components of the project, which is still in progress, include: rehabilitation of the wastewater treatment facility including retrofitting the aeration system in cells #1, 2 and 3,; constructing a wetlands in cell #4; rehabilitation of the Spring Creek lift station; improvements to the collection system to remove sedimentation; replace concrete and wood lines with PVC pipe to limit ground water infiltration; increase slope and pipe diameters to boost flow capacity; upgrade the lift/ejector station; and construction of a second highway crossing and new interceptor sewer to route east and southeast flows to the Spring Creek lift station.

NAME OF APPLICANT -	**Shelby**
PROJECT TYPE	Sewer System
TSEP GRANT	$ 366,000
OTHER FUNDS	$ 4,300 City of Shelby
	$ 200,000 CDBG Grant
	$ 481,000 SRF Loan
TOTAL PROJECT	$ 1,051,300

Project Summary - Deteriorating sewage lines caused sewage to back up into numerous homes. The major elements of the project included the replacement of sewer lines and associated manholes accessing the lines.

NAME OF APPLICANT -	**Stillwater County- Reedpoint**
PROJECT TYPE	Sewer System
TSEP GRANT	$ 200,000
OTHER FUNDS	$ 912,645 RECD Grant/Loan
	$ 400,000 CDBG Grant
TOTAL PROJECT	$1,312,645

Project Summary - Reedpoint community did not have an improved sewer collection system. Groundwater and wells were contaminated by failing cesspools and septic tanks. This project included construction of a new community sewage collection and treatment system. In light of restricted available land alternatives, a spray irrigation system of treated wastewater effluent was the chosen alternative.

NAME OF APPLICANT -	**Toole County - Sweetgrass**
PROJECT TYPE	Sewer System
TSEP DEFERRED LOAN	$25,000

Project Summary - The unincorporated community of Sweetgrass has an inadequate sewer system. TSEP funds would provide a $25,000 deferred loan to prepare an engineering plan to solve the community's sewer system problems. Repayment would be due when the sewer project is constructed or within five years, whichever is first.

NAME OF APPLICANT -	**Yellowstone County**
PROJECT TYPE	King Avenue Bridge
TSEP GRANT	$ 95,500
OTHER FUNDS	$ 49,860 County Bridge Fund
	$ 47,750 United Industry (private development contribution)
TOTAL PROJECT	$ 193,110

Project Summary - The DOT considered the King Avenue bridge a serious public safety issue. Existing bridge creates traffic bottleneck and accidents. Yellowstone County replaced and widened the bridge with a new four lane "bulb tee" bridge which would be paid for using a three way partnership between Yellowstone County, the private sector, and the Treasure State Endowment Program.

PROJECTS APPROVED BY THE 1995 LEGISLATURE

For fiscal years 1996 and 1997, 21 applications requesting $7,195,129 in TSEP funds were submitted. The 1995 legislature approved 15 projects totaling $4,991,029 in TSEP funds. The subsequent pages include a summary of each active project.

NAME OF APPLICANT -	Beaverhead County
PROJECT TYPE	Bailey Street Bridge
TSEP GRANT	$ 23,000
OTHER FUNDS	$ 13,000 Beaverhead County
	$ 10,000 Town of Lima
TOTAL PROJECT	$ 46,000

Project Summary - Two bridges across Junction Creek link the east and west portions of Lima, Montana. Both have deteriorated to the point where they must be closed or replaced. The Lima Town Council has elected to close the smaller bridge and to replace the larger, which is the Bailey Street Bridge. Major components of the project include: construction of improvements to bridge approaches, and construction of a new three sided concrete box bridge (36 ft. wide by 20 ft. span) with guardrails.

NAME OF APPLICANT -	Butte-Silver Bow
PROJECT TYPE	Wastewater Treatment System
TSEP GRANT	$ 500,000
OTHER FUNDS	$ 4,804,485 SRF Loan
	$ 1,000,000 Butte-Silver Bow
TOTAL PROJECT	$ 6,304,485

Project Summary - As a result of federal regulations that went into effect in 1992, Butte-Silver Bow was required to discontinue the use of the sludge injection disposal facilities. The project included constructing facilities and purchasing equipment to treat and dispose of sludge. Sludge will be transported to, and disposed of at, the new solid waste landfill after it has been treated.

NAME OF APPLICANT -	Conrad
PROJECT TYPE	Water System
TSEP GRANT	$ 180,000
OTHER FUNDS	$ 130,000 City of Conrad
	$ 50,000 DNRC Grant
TOTAL PROJECT	$ 360,000

Project Summary - The City of Conrad obtains its water supply from Lake Francis. Due to the potential for dam failure, the operation permit required that the water supply be obtained from a diversion facility instead of an outlet conduit with pressure pipes with in the earth-filled Lake Francis East Dam. Improvements included channel excavation and installation of gabions, water intake screens and piping; new pump station; relocation of existing pumps; removal of existing control gates; and demolition of the existing pump structure.

NAME OF APPLICANT -	East Glacier Park Water and Sewage District
PROJECT TYPE	Water Treatment System
TSEP GRANT	$306,555
OTHER FUNDS	$ 10,000 East Glacier Park
	$ 25,905 DNRC Grant
	$305,050 RECD Grant/Loan
	$100,000 IHS Grant
TOTAL PROJECT	$747,510

Project Summary - The East Glacier Water and Sewer District provides drinking water to 400 people in Glacier County with unfiltered surface water from Midvale Creek. The District is under a Boil Order by DEQ and is required to install water treatment facilities by 1996. The proposed project includes construction of a surface water treatment plant.

NAME OF APPLICANT -	Fairview
PROJECT TYPE	Water System
TSEP GRANT	$ 500,000
OTHER FUNDS	$ 20,000 Town of Fairview
	$ 100,000 DNRC Grant
	$ 403,250 RECD Loan
	$ 571,750 RECD Grant
TOTAL PROJECT	$1,595,000

Project Summary - The raw water in Fairview was very high in iron manganese and coal which fouled the town's domestic water meters. Fairview's water quality has been improved; and the town is proposing the installation of new water meters on residential and commercial properties; replacement of the 1935-1940 vintage cast iron water mains with pvc pipe; and increase the water system storage capacity with a 300,000 gallon storage tank.

NAME OF APPLICANT -	Gardiner/Park County
PROJECT TYPE	Water System
TSEP GRANT	$ 300,000
OTHER FUNDS	$ 175,000 Gardiner/Park County
	$ 610,000 RECD Loan
TOTAL PROJECT	$ 1,085,000

Project Summary - There were several serious deficiencies in the Gardiner water system including: contamination of a water source (spring), an overflow problem with the chlorination system, potential failure of the water line crossing the river, need for another well, and radon contamination. The project included: construction of 1200 feet of new water mains, miscellaneous work at the spring to eliminate contamination of the spring and to correct the chlorination system, installation of a heat tracted pipe suspended from the bridge, development of a new well, installation of a new booster pump and expansion of the booster station.

NAME OF APPLICANT -	Hamilton
PROJECT TYPE	Sewer Systems
TSEP GRANT	$ 137,632
OTHER FUNDS	$ 175,000 City of Hamilton
	$ 350,000 CDBG Grant
TOTAL PROJECT	$ 662,632

Project Summary - The City of Hamilton had chronic infiltration/exfiltration conditions in the sewage system, unsafe and inefficient lift stations; unsafe and inefficient manholes; and the inability to handle growth occurring in the City and the surrounding area. The project included: replacement of the New York Street interceptor sewer, installation of a new sewer main and lift station, and the replacement of sewer manholes on Tenth Street.

NAME OF APPLICANT -	Hill County Water District
PROJECT TYPE	Water Treatment System
TSEP GRANT	$ 500,000
OTHER FUNDS	$ 250,000 Hill County Water District
	$ 400,000 DNRC Loan
TOTAL PROJECT	$1,150,000

Project Summary - The Hill County Water District provides water service to 717 households located within an area stretching from just west of Havre to Joplin The service area includes the communities of Kremlin, Gilford, Hingham, Rudyard, Inverness and Joplin, as well as adjacent areas. Due to rules recently adopted by the EPA, the District must treat all water drawn from its Fresno surface water supply. The DEQ has given the District until the Fall of 1995, to comply with this requirement. The major components of the project include: property acquisition, construction of a water treatment facility, and construction of new water lines.

NAME OF APPLICANT -	Hysham
PROJECT TYPE	Sewer System
TSEP GRANT	$ 127,500
OTHER FUNDS	$ 27,500 Town of Hysham
	$ 250,000 DNRC Grant
TOTAL PROJECT	$ 405,000

Project Summary - The Town of Hysham is facing severe deterioration of its existing sewer system. If sewer system improvements are not made, there is great potential for the lagoon, septic systems and sewer main to pollute the surface and ground water. The major components of the project include: the engineering design, replacement of sewer manholes, and management of manhole replacement.

NAME OF APPLICANT-	Lewistown
PROJECT TYPE	Water System
TSEP GRANT	$ 500,000
OTHER FUNDS	$ 5,916,600 Revenue Bonds
	$ 100,000 DNRC Grant
TOTAL PROJECT	$ 6,516,600

Project Summary - The City of Lewistown's water needs are supplied by Big Springs in the Big Springs Creek drainage. A sixteen-inch transmission main and a twenty- inch transmission main were installed in 1914 and 1938, respectively. It has been apparent for several years that both of these mains are leaking badly, resulting in a loss of about fifty percent of the water entering the mains. The major components of the project include: placement of one new transmission main, placement of distribution mains in the upper pressure zone, the construction of a new 1.5 million gallon storage tank and securing the water source site with a dome.

NAME OF APPLICANT -	Powell County
PROJECT TYPE	Snowshoe Creek Bridge
TSEP GRANT	$ 51,334
OTHER FUNDS	$ 42,600 Powell County
	$ 30,000 U.S. Forest Service
TOTAL PROJECT	$123,934

Project Summary - Currently, there is a narrow, 24 year old, one-lane bridge crossing the Little Blackfoot River. It is inadequate and unsafe for current traffic consisting of ranchers, homeowners, school children, gas pipeline maintenance crews, loggers, miners, and recreationists. The project includes removal of the current bridge and construction of a new bridge.

NAME OF APPLICANT -	Seeley Lake Water District
PROJECT TYPE	Water Treatment System
TSEP GRANT	$ 464,364
OTHER FUNDS	$ 840,000 DNRC Loan
	$ 17,100 Seeley Lake Water District
TOTAL PROJECT	$ 1,321,464

Project Summary - The Seeley Lake Water District is required, under federal regulations and by DEQ Administrative Order, to install water treatment facilities by 1996. The project includes: construction of a new water treatment plant, modification of the water pump station, and construction of new water lines connecting the pump station to the water treatment plant.

NAME OF APPLICANT -	Thompson Falls
PROJECT TYPE	Sewer System
TSEP GRANT	$ 400,644
OTHER FUNDS	$ 1,076,500 RECD Grant/Loan
TOTAL PROJECT	$ 1,477,144

Project Summary - The City of Thompson Falls has serious deficiencies in its sewer system resulting primarily from deteriorating sewer lines and excessive infiltration which is over-working the lift station and the treatment facility. In addition, the majority of the households throughout the city use septic tanks with dry wells or leach fields; a situation which exceeds drain field deposit limits and threatens contamination of the aquifer and the Clark Fork River. The project will result in major improvements to the sewer lines, pump station and sewage lagoon.

NAME OF APPLICANT -	Troy
PROJECT TYPE	Sewer System
TSEP GRANT	$ 500,000
OTHER FUNDS	$ 3,791,825 RECD Grant/Loan
	$ 400,000 CDBG Grant
TOTAL PROJECT	$ 4,691,825

Project Summary - Sewage treatment for the City of Troy is currently provided by substandard on-site septic systems which pose a public health threat due to surfacing effluent and groundwater contamination. The project consists of the construction of a new central sanitary sewer system including both collection and treatment facilities.

NAME OF APPLICANT -	Whitehall
PROJECT TYPE	Water System
TSEP GRANT	$ 500,000
OTHER FUNDS	$ 325,000 CDBG Grant
	$ 450,000 RECD Loan
TOTAL PROJECT	$1,275,000

Project Summary - The project consists of improvements to the Town of Whitehall's water supply, storage and distribution systems, to resolve various public health and safety hazards. The major components of the project include: the construction of a 500,000 gallon reservoir to replace two 100,000 gallon reservoirs, new distribution mains, piping and valves, improvement to one of the system's wells, and installation of water meters on residential and commercial services.

PART 3
KEY POLICY ISSUES FOR THE 1997 LEGISLATURE

Streamlining The TSEP Statute

At the May, 1996 Governor's Conference on Community Infrastructure ("INFRACON") in Billings, the Governor and a panel of state legislators discussed various improvements that could be made to TSEP. Since the establishment of TSEP in 1992, the most frequent criticism of the program has been the problems created by the biennial funding cycle for the program's customers. According to local officials the biennial cycle makes it difficult and sometimes impossible to meet regulatory deadlines. The two-year cycle also makes it difficult for a local government to assemble several sources of funds from different agencies that are needed to fund a single local project. Because of the problems caused by the biennial funding cycle, the Governor questioned whether communities would be better served if the responsibility for approving funding for TSEP projects was transferred from the legislative to the executive branch of government in order to enable an annual funding cycle. Several legislators on the panel also expressed interest in the concept of an annual cycle. The INFRACON panel also discussed the need to consider each community's past efforts to plan for and manage their public facilities, in reviewing TSEP funding requests. In addition, legislators cited the growing need for affordable housing in many Montana communities.

In response to direction from state policy makers and public comments, DOC has prepared amendments to the TSEP statute in order to streamline the program and make it more responsive to the needs of the program's local government customers. The proposed changes include: establishing an annual funding competition, rewarding an applicant's past efforts to plan for and manage their public facilities, clarifying the importance of financial need, encouraging infrastructure construction to support the development of affordable housing, and consolidating duplicative statutory ranking criteria.

Financial Analysis Of Applications For Bridge Funding

For many years "target rate"analysis and debt capacity analysis have been used for financial analysis of water and sewer applications. However, for bridge applications, target rate analysis is not feasible. Thus, new policies and methods for financial analysis of bridge applications had to be developed. In consultation with members of the Joint House/Senate Long-Range Planning Appropriations Subcommittee, DOC developed a methodology based on ten financial questions to evaluate whether a TSEP grant, loan, or other funds are necessary to make a county's proposed bridge project feasible and affordable. Used for the first time this year, the ten questions appear to provide a more comprehensive means to measure an applicant's financial capacity including the ability of a TSEP applicant to fund a portion or all of the bridge project by borrowing funds, or through other means.

The local financial characteristics of proposed water and sewer projects submitted by municipalities and county water/sewer districts are significantly different from the financial characteristics of proposed bridge projects submitted by counties. For water and sewer projects, the municipality or water/sewer district often adopts user fee increases to provide matching funds for TSEP grants. If loans or bonds are used, they are retired with user fee increases. User fee increases and bonds are exempt from I-105. In contrast, county financing of bridges is based primarily on county tax revenues, which are frozen under I-105. From a legal viewpoint, it is easier for a municipality to raise user fees to provide matching funds for a TSEP water or sewer application than for a county to raise taxes to provide matching funds for a TSEP bridge application. For a county to raise additional tax revenues for a bridge project requires either a vote of the people to override I-105, or for the county to use funds from other

county mill levy accounts, which also are frozen under I-105. The ten financial questions for bridge applications take into account these structural differences and the unique situation for financing county bridges.

PART 4
FUNDS AVAILABLE FOR 1997 LEGISLATURE
TSEP CASH FLOW

For fiscal years 1998 and 1999, there were 40 TSEP applications submitted by local governments to the Department of Commerce requesting $15.52 million in TSEP funds. The Department's most precise estimate (as of 8/12/96) is that $7,914,714 to $9,063,374 will be available (after subtracting administrative and operational costs) for matching grants for financing community infrastructure projects during the 1998-1999 biennium. The lower figure assumes a 7% interest rate. The higher figure assumes an 8% interest rate. This figure is subject to change as updated projections on Coal Tax revenues and interest rates are received in the future.

Under 17-5-703, MCA, there is a separate subfund called the Treasure State Endowment Fund (the "Fund"), established within the Permanent Coal Trust (the "Trust") to generate ongoing funding for TSEP projects. As a subfund of the Trust, the Fund principal is afforded the same constitutional protection as the principal in the Trust. The Montana Constitution states "The principal of the trust shall forever remain inviolate unless appropriated by a vote of three-fourths of the members of each house of the legislature." The Chart in Appendix C illustrates the relationship of the Coal Severance Tax Trust and the TSEP Fund.

Under the provisions of the TSEP statute, on July 1, 1993, $10.0 million was transferred from the Trust to the Fund. In addition to the amount transferred from the Trust, the Fund will receive 50 percent of the coal severance taxes constitutionally earmarked for the Trust during a 20 year period. It is estimated that by fiscal year 2014, principal in the Fund will reach over $191 million. Revenues for TSEP grants are generated by interest earnings on the principal of the Fund. Only the interest earnings on the Fund may be spent for TSEP grants and program administration.

TSEP loans are funded from proceeds of coal severance tax bonds rather than interest earnings on the principal of the Fund. The coal severance tax bonds would be sold by the state and are repaid by the loan payments made by local government loan recipients. Four loans are being recommended totaling $1,905,000. In order to prevent administrative duplication of other state loan programs, the Department of Natural Resources and Conservation (DNRC) would administer the TSEP loans. DNRC has indicated that there are sufficient funds to fund all of the recommended TSEP loans.

The chart on the next page illustrates the projected cash flow mechanics of the TSEP program from Fiscal Year 1994 to Fiscal Year 2014. The figures are only rough estimates because of the difficulty of projecting interest rates, coal production, and TSEP Program operating costs so far into the future.

COAL TAX REVENUE DEPOSITS FOR LOCAL INFRASTRUCTURE ASSISTANCE

TREASURE STATE ENDOWMENT PROGRAM (TSEP)

Operating Year		Annual Deposits to Perm. Fund Principal	Annual Deposits to TSEP Fund Principal	Cumulative TSEP Principal	Annual Interest Available for Distribution	Cumulative Interest Earnings
		($10,000,000)	$10,000,000			
1	FY '94	$9,809,476	$9,809,476	$19,809,476	$928,696	$928,696
2	FY '95	$9,910,610	$9,910,610	$29,720,086	$1,810,151	$2,738,847
3	FY '96	$8,787,910	$8,787,910	$38,507,996	$2,916,499	$5,655,346
4	FY '97	$8,800,000	$8,800,000	$47,307,996	$3,080,560	$8,735,906
5	FY '98	$9,000,000	$9,000,000	$56,307,996	$3,705,310	$12,441,215
6	FY '99	$9,000,000	$9,000,000	$65,307,996	$4,335,310	$16,776,525
7	FY '00	$9,000,000	$9,000,000	$74,307,996	$4,965,310	$21,741,835
8	FY '01	$9,000,000	$9,000,000	$83,307,996	$5,595,310	$27,337,145
9	FY '02	$9,000,000	$9,000,000	$92,307,996	$6,225,310	$33,562,454
10	FY '03	$9,000,000	$9,000,000	$101,307,996	$6,855,310	$40,417,764
11	FY '04	$9,000,000	$9,000,000	$110,307,996	$7,485,310	$47,903,074
12	FY '05	$9,000,000	$9,000,000	$119,307,996	$8,115,310	$56,018,383
13	FY '06	$9,000,000	$9,000,000	$128,307,996	$8,745,310	$64,763,693
14	FY '07	$9,000,000	$9,000,000	$137,307,996	$9,375,310	$74,139,003
15	FY '08	$9,000,000	$9,000,000	$146,307,996	$10,005,310	$84,144,313
16	FY '09	$9,000,000	$9,000,000	$155,307,996	$10,635,310	$94,779,622
17	FY '10	$9,000,000	$9,000,000	$164,307,996	$11,265,310	$106,044,932
18	FY '11	$9,000,000	$9,000,000	$173,307,996	$11,895,310	$117,940,242
19	FY '12	$9,000,000	$9,000,000	$182,307,996	$12,525,310	$130,465,552
20	FY '13	$9,000,000	$9,000,000	$191,307,996	$13,155,310	$143,620,861
21	FY '14	$18,000,000	$0	$191,307,996	$13,155,310	$156,776,171

Interest projected at 7% earning rate.

Prepared by Melanie Strandberg
Dept. of Commerce/Mgmt. Services Div.
Updated 8-12-96

PART 5
1997 TSEP APPLICATION
RANKING PROCESS AND RECOMMENDATIONS

Process DOC Uses to Recommend Projects for Funding

The two-stage process that the Department uses to make its funding recommendations is based on the following principles:

1) In compliance with the intent of the statute, the applicants' scores on the ten statutory priorities provide the rank order of applicants;

2) The statute also requires the Department and the Governor to recommend the form of the TSEP financing. Applicants which could reasonably borrow funds and have relatively affordable utility rates are not recommended for grant awards, but are recommended for loan funds; and

3) Projects which appear to have major financial or technical feasibility problems are not recommended for funding at this time.

Stage One of the Process, Ranking of Ten Statutory Priorities (90-6-710 (2) MCA)

Based on state statute, and under the precedents established in 1993 and 1995 by the Department of Commerce, the Governor, and the Legislature, the TSEP application ranking procedure is a two-stage process. In the first stage, the applications are ranked according to the ten statutory priorities. The 1996 Applications: Ranking Scores for Ten Statutory Priorities Chart summarizes the Department's ranking results. Details on how each application was ranked are found in the individual project descriptions (See Part 6).

The TSEP applications were analyzed by the Department's staff, consulting engineers, a financial consultant, and staff from MDEQ and MDT. In addition, the Department contracted with four engineering firms to review and analyze each of the preliminary engineering plans submitted with the applications. Upon finishing their review, all of the engineers met as a team, along with the Department's ranking teams, to come to a consensus on how to rank the first three statutory criteria for each application. A consensus approach was used by ranking teams to assure consistency and fairness in applying the ranking and review criteria. The Department coordinated its review of applications with DNRC's Renewable Resource Development Program and the Department's CDBG Program. The ten statutory priorities consider the extent to which the proposed projects:

1) Solve urgent and serious public health or safety problems;

2) Enable local governments to meet state or federal health or safety standards;

3) Incorporate appropriate, cost-effective technical design and that provide thorough, long-term solutions to community public facility needs;

4) Result in a benefit to the public commensurate with the amount of financial assistance requested. However, the benefit to the public may not be measured by population alone;

5) Reflect greater need for financial assistance than other projects;

6) Enable local governments to obtain funds from sources other than TSEP;

7) Provide long-term, full-time job opportunities for Montanans;

8) Provide public facilities necessary for the expansion of a business that has a high potential for financial success;

9) Maintain or do not discourage expansion of the tax base; and

10) Are high local priorities and have strong community support.

In order to score each project on Statutory Priority #5 (Financial Need), DOC analyzes each applicants' relative financial need compared to other applicants. This analysis uses two financial indicators.

Indicator 1. Relative Economic Condition of Households - This indicator provides a comparative measure of ability to pay for infrastructure and public services. It consists of ranking each applicant in relation to the community's Median Household Income (MHI), the percent of persons in the jurisdiction at or below the level designated as Low to Moderate Income (LMI), and the percent of persons at or below the level designated as Poverty. MHI is calculated by the U.S. Bureau of the Census as the amount of household income above and below which the household incomes in a jurisdiction are equally distributed. In other words, there are as many households with incomes above MHI as there are below MHI. These three statistics - MHI, LMI and Poverty - provide a means of identifying concentrations of population which have relatively less ability to pay for public services.

Indicator 2. Target Rate Analysis - The second indicator in the financial analysis is based on "Target Rate Analysis." It is used by DOC to help determine the amount of grant funds a community needs to bring its combined monthly water and wastewater user rates to a reasonably affordable level for its citizens. Target rate analysis compares the applicants' projected user rates to predetermined benchmarks or "targets." Target user rates are based on a percentage of Median Household Income (MHI) of the community. The idea of "target rates" is based on the concept that the ability of a family (or individual) to pay a particular water, wastewater, or solid waste user rate is related to the median income level in a community and that communities with higher median incomes can afford higher rates than those with lower median incomes. This approach has been used by the U.S. Farmers Home Administration (now known as Rural Development) and the DOC Community Development Block Grant (CDBG) Program for many years.

Target user rates were determined by surveying the average, monthly water and wastewater rates currently paid by Montana communities which had recently improved their water or sewer systems and the percentage of their combined rates as a ratio of their Median Household Income (MHI). TSEP utilized combined rates for water and wastewater systems whenever communities had both systems to ensure that analysis of low rates for an applicant's wastewater system did not ignore high rates that are charged for the water system (or vice versa), thereby understating an applicant's need for financial assistance. For communities with a water or wastewater system but not the other, only the target rate for the single system was used.

In the target rate analysis for water and wastewater projects, a community's target rate was computed by multiplying the community's MHI by the combined target percentage of 2.2% (1.4% for water systems and .8% for wastewater systems). For communities with only one system, only the target percentage for that system was used to compute the target rate.

Target rate analysis was also used for the single solid waste TSEP application submitted. The average monthly rate for residential users was used to evaluate the system in comparison with other Montana communities and counties operating similar solid waste systems. A target percentage of .4% of MHI was used in the analysis based on DOC's analysis of other systems throughout the state.

The analysis of the two bridge project applications submitted, which are funded through general taxes, were analyzed in a different manner from the water and wastewater projects which are enterprise systems and financed through user fees. Instead, the analysis for the bridge projects looked at the overall level of taxes levied on residential households within the affected jurisdiction. The analysis examined information gathered from a series of ten financial questions that considered past efforts made by the applicants to finance bridges.

Final Competitive Ranking Score on Statutory Priority #5 - The results from Indicators 1 and 2 were added together on a weighted basis to determine an applicant's final score for the "Financial Need" priority.

IES CHART

APPLICATIONS	#1 URGENT OR SERIOUS HEALTH & SAFETY PROBLEMS	RANKING	TOTAL (5.500 POINTS POSSIBLE)
1.BAINVILLE (W)	500 A	38	2287
2. BIG TIMBER (WW)	500 A	34	2786
3. BILLINGS (SS)	500 A	28	3239
4. CASCADE (WW)	1000 B	1	4922
5. CHESTER (W)	750 AA	31	3028
6. CHINOOK (W)	750 AA	17	3662
7. CHOTEAU (WW)	750 AA	22	3533
8. CHOUTEAU CO. (WW)	750 AA	27	3249
9. CORAM (W)	750 AA	24	3410
10. CULBERTSON (WW)	500 A	36	2507
11. EAST MISSOULA (WW)	1000 B	7	4251
12. EKALAKA (S)	500 A	35	2691
13. FORT BENTON (W)	750 AA	18	3633
14. FORT PECK (W)	1000 B	2	4669
15. GLASGOW (WW)	1000 B	8	4132
16. GLENDIVE (W)	1000 B	5	4404
17. GREAT FALLS (W/S)	500 A	37	2408
18. HAMILTON (WW)	500 A	15	3691
19. HARDIN (W/SD)	250 BA	32	2906
20. HARLEM (W/S)	250 BA	39	2255
21. HELENA (WW)	1000 B	9	3986
22. HILL COUNTY (WW)	1000 B	11	3869
23. JEFFERSON CO. (SW)	500 A	29	3165
24. JUDITH GAP (WW)	1000 B	4	4474
25. LAKESIDE (W)	750 AA	20	3615
26. LEWIS & CLARK (B)	750 AA	14	3731
27. LINCOLN (WW)	1000 B	26	3249
28. LIVINGSTON (W)	500 A	25	3263
29. MILES CITY (W)	750 AA	19	3616

1996 APPLICATIONS: RANKING SCORES FOR TEN STATUTORY PRIORITIES CHART

APPLICATIONS	#1 URGENT OR SERIOUS HEALTH & SAFETY PROBLEMS	#2 COMPLIANCE WITH STATE OR FEDERAL STANDARDS	#3 APPROPRIATE DESIGN & LONG TERM SOLUTION	#4 COST EFFECTIVE PUBLIC BENEFIT	#5 GREATER FINANCIAL NEED	#6 FUNDS FROM OTHER SOURCES	#7 LONG TERM. FULL TIME JOBS	#8 BUSINESS EXPANSION	#9 MAINTENANCE OF TAX BASE	#10 COMMUNITY SUPPORT	RANKING	TOTAL (5.500 POINTS POSSIBLE)
1.BAINVILLE (W)	500 A	225 BA	200 BA	175 BA	312	375 AA	200 A	150 A	100 A	50 A	38	2287
2. BIG TIMBER (WW)	500 A	450 A	400 A	350 A	336	250 A	200 A	150 A	100 A	50 A	34	2786
3. BILLINGS (SS)	500 A	450 A	400 A	525 AA	439	375 AA	200 A	150 A	100 A	100 B	28	3239
4. CASCADE (WW)	1000 B	900 B	800 B	525 AA	422	500 B	300 AA	225 AA	150 AA	100 B	1	4922
5. CHESTER (W)	750 AA	450 A	400 A	350 A	303	250 A	200 A	150 A	100 A	75 AA	31	3028
6. CHINOOK (W)	750 AA	675 AA	600 AA	525 AA	337	250 A	200 A	150 A	100 A	75 AA	17	3662
7. CHOTEAU (WW)	750 AA	675 AA	600 AA	525 AA	233	250 A	200 A	150 A	100 A	50 A	22	3533
8. CHOUTEAU CO. (WW)	750 AA	450 A	400 A	350 A	424	375 AA	200 A	150 A	100 A	50 A	27	3249
9. CORAM (W)	750 AA	675 AA	400 A	350 A	510	250 A	200 A	150 A	100 A	25 BA	24	3410
10. CULBERTSON (WW)	500 A	225 BA	400 A	350 A	282	250 A	200 A	150 A	100 A	50 A	36	2507
11. EAST MISSOULA (WW)	1000 B	675 AA	800 B	525 AA	351	375 AA	200 A	150 A	100 A	75 AA	7	4251
12. EKALAKA (S)	500 A	225 BA	400 A	350 A	466	250 A	200 A	150 A	100 A	50 A	35	2691
13. FORT BENTON (W)	750 AA	675 AA	600 AA	525 AA	308	250 A	200 A	150 A	100 A	75 AA	18	3633
14. FORT PECK (W)	1000 B	675 AA	800 B	700 B	469	500 B	200 A	150 A	100 A	75 AA	2	4669
15. GLASGOW (WW)	1000 B	675 AA	600 AA	700 B	232	375 AA	200 A	150 A	100 A	100 B	8	4132
16. GLENDIVE (W)	1000 B	900 B	600 AA	700 B	304	375 AA	200 A	150 A	100 A	75 AA	5	4404
17. GREAT FALLS (W/S)	500 A	450 A	200 BA	175 BA	383	250 A	200 A	150 A	100 A	0	37	2408
18. HAMILTON (WW)	500 A	450 A	600 AA	525 AA	466	375 AA	300 AA	225 AA	150 AA	100 B	15	3691
19. HARDIN (W/SD)	250 BA	450 A	600 AA	350 A	331	375 AA	200 A	150 A	100 A	100 B	32	2906
20. HARLEM (W/S)	250 BA	225 BA	200 BA	350 A	355	375 AA	200 A	150 A	100 A	50 A	39	2255
21. HELENA (WW)	1000 B	900 B	400 A	525 AA	286	375 AA	200 A	150 A	100 A	50 A	9	3986
22. HILL COUNTY (WW)	1000 B	675 AA	600 AA	350 A	494	250 A	200 A	150 A	100 A	50 A	11	3869
23. JEFFERSON CO. (SW)	500 A	450 A	600 AA	525 AA	240	375 AA	200 A	150 A	100 A	25 BA	29	3165
24. JUDITH GAP (WW)	1000 B	900 B	800 B	525 AA	374	375 AA	200 A	150 A	100 A	50 A	4	4474
25. LAKESIDE (W)	750 AA	675 AA	600 AA	350 A	340	375 AA	200 A	150 A	100 A	75 AA	20	3615
26. LEWIS & CLARK (B)	750 AA	675 AA	600 AA	525 AA	281	375 AA	200 A	150 A	100 A	75 AA	14	3731
27. LINCOLN (WW)	1000 B	675 AA	200 BA	175 BA	574	125 BA	200 A	150 A	100 A	50 A	26	3249
28. LIVINGSTON (W)	500 A	450 A	800 B	525 AA	238	250 A	200 A	150 A	100 A	50 A	25	3263
29. MILES CITY (W)	750 AA	450 A	800 B	525 AA	316	250 A	200 A	150 A	100 A	75 AA	19	3616

ERM. ME	#8 BUSINESS EXPANSION	#9 MAINTENANCE OF TAX BASE	#10 COMMUNITY SUPPORT	RANKING	TOTAL (5,500 POINTS POSSIBLE)
	150 A	100 A	75 AA	16	3676
	150 A	100 A	0	21	3536
	150 A	100 A	50 A	30	3047
	150 A	100 A	50 A	10	3954
	150 A	100 A	75 AA	40	2242
	150 A	100 A	100 B	13	3736
	150 A	100 A	0	23	3509
	150 A	100 A	50 A	3	4538
	150 A	100 A	75 AA	33	2889
	150 A	100 A	100 B	6	4376
	150 A	100 A	50 A	12	3777

Stage Two of the Process, Financial Gap Analysis (90-6-710 (1) MCA)

The second stage of the process requires the Department to make recommendations on the form of financing. The TSEP Financial Gap Analysis/Grant Award Recommendations Chart and TSEP Loan Award Recommendations Chart summarizes the Department's ranking results and recommendations on the form and amount of funding for each application. Details on the basis for the Department's recommendation concerning the form and amount of funding for each application are found in the individual project descriptions (See Part 6).

The available forms of financing include TSEP grants, loans, and grant/loan combinations. Under policies previously established by the State, loans requested from TSEP are administered by DNRC to avoid establishing a duplicative state loan program. In order to make the recommendation, the Department used financial analysis to determine what is a reasonable amount of funds that the applicant can provide and how much TSEP grant assistance, if any, is needed to make a local project feasible and reasonably affordable for local citizens. It is important to note that the policy established by the Department, the Governor, and the Legislature in 1993 and 1995 is that TSEP grants should only be approved for projects where the Applicant is unable to borrow funds or obtain financing from other sources at reasonably affordable rates. In other words, TSEP is a "gap financing program".

"Financial Gap Analysis" is used to determine whether the applicant has additional debt capacity, and therefore, has the ability to borrow additional funds for the project in place of TSEP grant funds. In conducting the financial gap analysis, DOC used only 90 percent of the target rate as the basis for comparison against actual rates. Furthermore, in calculating the "financial gap," DOC provided each applicant with additional debt capacity ranging from $500,000 to $3 million depending on the number of households in the applicant's jurisdiction. This provides local governments with a "margin" or "cushion" of future debt capacity which can be used to meet emergencies or facility needs which may be unknown at this time.

If the applicant's actual combined water and wastewater rates, or solid waste rate, after implementation of the TSEP project, was less than the target rate, then the amount of debt capacity that can be leveraged was subtracted from the grant request to determine the recommended grant award. **The amount of the grant award recommendation is based on the minimum amount necessary, as indicated by the financial gap analysis, to help make the utility rates more affordable for the citizens. If the applicant has sufficient debt capacity to borrow the funds requested from TSEP, such that the resulting increased user fees, taxes, or assessments appear affordable for local citizens, DOC did not recommend grant funding for the applicant. Instead, DOC recommended loan funding for such projects.**

For the two bridge project applications submitted, which are funded locally through general property taxes, the same ten financial questions used to determine relative financial need were also used to determine whether the project should be funded with TSEP grant funds.

Conclusion

The process of evaluating and ranking TSEP applications is complex because of the numerous review elements, differences between applicants, and the complexities of different types of community infrastructure and financing methods for each. The Department, and its consultants, stressed objectivity and fairness in the procedures used to evaluate and rank TSEP applications.

While no system is perfect, the methodology used in the financial analysis represents ten years of effort to develop a system that analyzes relative financial need and capacity, and that is fair and equitable to all applicants. The DOC financial analysis methodology is considered a model nationally and was highlighted at the Council of State Community Development Agencies Annual Infrastructure Workshop held in Washington D.C. in May, 1996.

APPLICATIONS	#1 URGENT OR SERIOUS HEALTH & SAFETY PROBLEMS	#2 COMPLIANCE WITH STATE OR FEDERAL STANDARDS	#3 APPROPRIATE DESIGN & LONG TERM SOLUTION	#4 COST EFFECTIVE PUBLIC BENEFIT	#5 GREATER FINANCIAL NEED	#6 FUNDS FROM OTHER SOURCES	#7 LONG TERM, FULL TIME JOBS	#8 BUSINESS EXPANSION	#9 MAINTENANCE OF TAX BASE	#10 COMMUNITY SUPPORT	RANKING	TOTAL (5,500 POINTS POSSIBLE)
30. MISSOULA (WW)	750 AA	675 AA	400 A	350 A	476	500 B	200 A	150 A	100 A	75 AA	16	3676
31. NEIHART (W)	750 AA	675 AA	600 AA	350 A	461	250 A	200 A	150 A	100 A	0	21	3536
32. RED LODGE (W)	500 A	450 A	400 A	350 A	347	500 B	200 A	150 A	100 A	50 A	30	3047
33. RICHEY (W)	1000 B	900 B	400 A	525 AA	379	250 A	200 A	150 A	100 A	50 A	10	3954
34. RICHLAND CO. (B)	250 BA	450 A	200 BA	175 BA	392	250 A	200 A	150 A	100 A	75 AA	40	2242
35. ROUNDUP (WW)	1000 B	900 B	200 BA	350 A	361	375 AA	200 A	150 A	100 A	100 B	13	3736
36. SALTESE (WW)	750 AA	675 AA	800 B	175 BA	534	125 BA	200 A	150 A	100 A	0	23	3509
37. TERRY (WW)	1000 B	675 AA	800 B	525 AA	538	500 B	200 A	150 A	100 A	50 A	3	4538
38. THOMPSON FALLS (W)	500 A	450 A	400 A	350 A	414	250 A	200 A	150 A	100 A	75 AA	33	2889
39. TWIN BRIDGES (W)	750 AA	675 AA	800 B	525 AA	476	500 B	300 AA	150 A	100 A	100 B	6	4376
40. VALIER (WW)	1000 B	675 AA	400 A	525 AA	302	375 AA	200 A	150 A	100 A	50 A	12	3777

KEY: B = BRIDGE
S = SEWER
SD = STORM DRAIN
SS = STORM SEWER
SW = SOLID WASTE
W = WATER
WW= WASTEWATER

SCORING KEY: B = BEST
AA= ABOVE AVERAGE
A = AVERAGE
BA = BELOW AVERAGE

I:\tsep\final.4060 REVISED November 26, 1996, 11:38 am

Stage Two of the Process, Financial Gap Analysis (90-6-710 (1) MCA)

The second stage of the process requires the Department to make recommendations on the form of financing. The TSEP Financial Gap Analysis/Grant Award Recommendations Chart and TSEP Loan Award Recommendations Chart summarizes the Department's ranking results and recommendations on the form and amount of funding for each application. Details on the basis for the Department's recommendation concerning the form and amount of funding for each application are found in the individual project descriptions (See Part 6).

The available forms of financing include TSEP grants, loans, and grant/loan combinations. Under policies previously established by the State, loans requested from TSEP are administered by DNRC to avoid establishing a duplicative state loan program. In order to make the recommendation, the Department used financial analysis to determine what is a reasonable amount of funds that the applicant can provide and how much TSEP grant assistance, if any, is needed to make a local project feasible and reasonably affordable for local citizens. It is important to note that the policy established by the Department, the Governor, and the Legislature in 1993 and 1995 is that TSEP grants should only be approved for projects where the Applicant is unable to borrow funds or obtain financing from other sources at reasonably affordable rates. In other words, TSEP is a "gap financing program".

"Financial Gap Analysis" is used to determine whether the applicant has additional debt capacity, and therefore, has the ability to borrow additional funds for the project in place of TSEP grant funds. In conducting the financial gap analysis, DOC used only 90 percent of the target rate as the basis for comparison against actual rates. Furthermore, in calculating the "financial gap," DOC provided each applicant with additional debt capacity ranging from $500,000 to $3 million depending on the number of households in the applicant's jurisdiction. This provides local governments with a "margin" or "cushion" of future debt capacity which can be used to meet emergencies or facility needs which may be unknown at this time.

If the applicant's actual combined water and wastewater rates, or solid waste rate, after implementation of the TSEP project, was less than the target rate, then the amount of debt capacity that can be leveraged was subtracted from the grant request to determine the recommended grant award. **The amount of the grant award recommendation is based on the minimum amount necessary, as indicated by the financial gap analysis, to help make the utility rates more affordable for the citizens. If the applicant has sufficient debt capacity to borrow the funds requested from TSEP, such that the resulting increased user fees, taxes, or assessments appear affordable for local citizens, DOC did not recommend grant funding for the applicant. Instead, DOC recommended loan funding for such projects.**

For the two bridge project applications submitted, which are funded locally through general property taxes, the same ten financial questions used to determine relative financial need were also used to determine whether the project should be funded with TSEP grant funds.

Conclusion

The process of evaluating and ranking TSEP applications is complex because of the numerous review elements, differences between applicants, and the complexities of different types of community infrastructure and financing methods for each. The Department, and its consultants, stressed objectivity and fairness in the procedures used to evaluate and rank TSEP applications.

While no system is perfect, the methodology used in the financial analysis represents ten years of effort to develop a system that analyzes relative financial need and capacity, and that is fair and equitable to all applicants. The DOC financial analysis methodology is considered a model nationally and was highlighted at the Council of State Community Development Agencies Annual Infrastructure Workshop held in Washington D.C. in May, 1996.

11/26/96
11:45 AM

Cumulative Proposed TSEP Grant Award	Applicant	Util	Monthly Rates with Proposed Award	Variance From Target Rates %	Variance From Target Rates $	Additional Debt Capacity (After Allowance) (4)
500,000	CASCADE	WASTEV	60.15	185%	27.71	(1,593,129)
1,000,000	FORT PECK W/S DISTRICT	WAT	91.00	351%	65.05	(1,881,123)
1,500,000	TERRY	WASTEV	24.56	259%	15.07	(1,783,472)
1,630,000	JUDITH GAP	WASTEV	29.00	107%	1.77	(522,021)
2,130,000	GLENDIVE	WAT	39.19	107%	2.49	(1,991,408)
2,630,000	TWIN BRIDGES	WAT	40.50	189%	19.10	(935,901)
3,130,000	EAST MISSOULA	WASTEV	43.50	133%	10.73	(2,726,559)
3,571,443	GLASGOW***	WASTEV	27.64	81%	-6.62	58,557
4,071,443	HELENA	WASTEV	51.60	123%	9.59	(17,003,634)
4,335,783	RICHEY	WAT	28.31	129%	6.31	(577,516)
4,797,783	HILL CO./BOX ELDER	WASTEV	20.00	177%	8.68	(576,441)
5,297,783	VALIER	WASTEV	38.90	107%	2.50	(579,329)
5,797,783	ROUNDUP	WASTEV	32.78	122%	5.85	(2,101,859)
5,861,908	LEWIS & CLARK COUNTY***	BRID	N/A		N/A	(64,125)
6,361,908	HAMILTON	WASTEV	47.28	192%	22.67	(12,954,445)
6,861,908	MISSOULA/NEIGHBORHOOD	WASTEV	48.62	185%	22.28	(2,828,866)
7,175,463	CHINOOK	WAT	47.73	150%	15.92	(2,230,143)
7,655,707	FORT BENTON	WAT	42.23	114%	5.16	(1,448,339)
7,791,707	MILES CITY	WAT	36.64	105%	1.62	(2,260,707)
8,291,707	LAKESIDE	WAT	90.91	184%	41.63	(1,409,074)
8,552,735	NEIHART	WAT	30.00	152%	10.31	(579,625)
8,552,735	CHOTEAU, TOWN OF*	WASTEV	9.22	29%	-22.93	1,984,647
8,552,735	MINERAL CO./SALTESE**	WASTEV	212.93	1962%	202.08	(581,950)
9,052,735	CORAM	WAT	23.30	168%	9.47	(590,858)
9,052,735	LIVINGSTON*	WAT	26.84	81%	-6.50	1,468,509
9,052,735	LINCOLN/LEWIS & CLARK CO.**	WASTEV	29.88	306%	20.13	(1,289,400)
9,472,735	CHOUTEAU CO./HIGHWOOD	WATER/W	59.65	184%	27.28	(854,041)
9,752,735	BILLINGS/NEIGHBORHOOD	WASTEV	59.40	182%	26.85	(746,504)
9,881,650	JEFFERSON COUNTY	SOLID W	9.92	105%	0.50	(2,075,823)
10,381,650	RED LODGE/CITY	WAT	39.23	137%	10.56	(4,460,052)
10,798,650	CHESTER	WAT	39.69	107%	2.56	(621,117)
11,148,650	HARDIN	WATER/ST	35.18	101%	0.46	(1,066,865)
11,548,650	THOMPSON FALLS***	WAT	56.32	174%	23.88	(2,548,191)
12,048,650	BIG TIMBER	WASTEV	35.20	118%	5.29	(1,949,289)
12,133,800	EKALAKA***	WASTEV	44.10	176%	19.03	(1,604,415)
12,447,059	CULBERTSON	WASTEV	40.40	106%	2.24	(617,819)
12,887,059	GREAT FALLS/NEIGHBOR.***	WAT	77.97	198%	38.60	(821,913)
13,247,059	BAINVILLE	WAT	40.12	106%	2.31	(530,970)
13,719,979	HARLEM, CITY OF	WATER &	40.13	128%	8.82	(883,474)
13,719,979	RICHLAND CO.**	BRID	N/A		N/A	199,375

1 Indicates the amount of award [illegible] applicant would rece

2 Median Household Income [illegible] determined by 1990 Ce

3 Financial gap analysis for water and waste water syste [illegible] water systems of .8% of MHI, producing [illegible] combined target rate percen [illegible] formation form.

4 Additional debt capacity (after allowance) is based on th [illegible] arget rate. Communities that have some additional debt capacity m Allowed additional debt capacity by no. of households:

N/A - Project is not subject to target rate analysis.

* Town of Choteau and City of Livingston are recommend

** Mineral County/Saltese, Lincoln/Lewis & Clark County,

*** Some applicants are recommended for grant amounts

Applications re

Note: TSEP loan recommendations listed on a separate c

TSEP Financial Gap Analysis/Grant Award Recommendations Chart

11/26/96
11:45 AM

Cumulative Proposed TSEP Grant Award	Applicant	Utility	Number of Households	10 Priorities Ranking Score	Amount Requested	Proposed Grant Award (1)	MHI (2)	90.00% Target Monthly Rates (3)	Existing Monthly Rates	Variance From Target Rates %	Variance From Target Rates $	Monthly Rates with No Assistance	Variance From Target Rates %	Variance From Target Rates $	Applicant Projected Monthly Rates with Full Assistance	Variance From Target Rates %	Variance From Target Rates $	Monthly Rates with Proposed Award	Variance From Target Rates %	Variance From Target Rates $	Additional Debt Capacity (After Allowance) (4)
500,000	CASCADE	WASTEWATER	267	4,922	500,000	500,000	19,659	32.44	30.37	94%	-2.07	72.76	224%	40.32	60.15	185%	27.71	60.15	185%	27.71	(1,593,129)
1,000,000	FORT PECK W/S DISTRICT	WATER	225	4,669	500,000	500,000	24,717	25.95	NO SYSTEM	0%	-25.95	114.37	441%	88.42	91.00	351%	65.05	91.00	351%	65.05	(1,881,123)
1,500,000	TERRY	WASTEWATER	390	4,538	500,000	500,000	15,809	9.49	20.00	211%	10.51	30.41	320%	20.92	24.56	259%	15.07	24.56	259%	15.07	(1,783,472)
1,630,000	JUDITH GAP	WASTEWATER	89	4,474	130,000	130,000	16,500	27.23	12.00	44%	-15.23	39.38	145%	12.15	29.00	107%	1.77	29.00	107%	1.77	(522,021)
2,130,000	GLENDIVE	WATER	1,768	4,404	500,000	500,000	22,240	36.70	33.96	93%	-2.74	41.70	114%	5.00	39.19	107%	2.49	39.19	107%	2.49	(1,991,408)
2,630,000	TWIN BRIDGES	WATER	187	4,376	500,000	500,000	12,969	21.40	34.45	161%	13.05	62.24	291%	40.84	40.50	189%	19.10	40.50	189%	19.10	(935,901)
3,130,000	EAST MISSOULA	WASTEWATER	740	4,251	500,000	500,000	19,862	32.77	17.00	52%	-15.77	46.59	142%	13.82	43.50	133%	10.73	43.50	133%	10.73	(2,726,559)
3,571,443	GLASGOW***	WASTEWATER	1,664	4,132	500,000	441,443	20,766	34.26	23.14	68%	-11.12	29.59	86%	-4.67	27.40	80%	-6.86	27.64	81%	-6.62	58,557
4,071,443	HELENA	WASTEWATER	7,959	3,986	500,000	500,000	25,462	42.01	35.39	84%	-6.62	51.94	124%	9.93	51.60	123%	9.59	51.60	123%	9.59	(17,003,634)
4,335,783	RICHEY	WATER	102	3,954	264,340	264,340	13,333	22.00	11.65	53%	-10.35	49.66	226%	27.66	28.31	129%	6.31	28.31	129%	6.31	(577,516)
4,797,783	HILL CO./BOX ELDER	WASTEWATER	45	3,869	462,000	462,000	18,859	11.32	20.00	177%	8.68	72.13	637%	60.81	20.00	177%	8.68	20.00	177%	8.68	(576,441)
5,297,783	VALIER	WASTEWATER	227	3,777	500,000	500,000	22,062	36.40	25.17	69%	-11.23	54.56	150%	18.16	38.90	107%	2.50	38.90	107%	2.50	(579,329)
5,797,783	ROUNDUP	WASTEWATER	786	3,736	500,000	500,000	16,319	26.93	13.71	51%	-13.22	35.42	132%	8.49	32.78	122%	5.85	32.78	122%	5.85	(2,101,859)
5,861,908	LEWIS & CLARK COUNTY***	BRIDGE	N/A	3,731	128,250	64,125	26,409	N/A	N/A	N/A	N/A	N/A		N/A	N/A		N/A	N/A		N/A	(64,125)
6,361,908	HAMILTON	WASTEWATER	988	3,691	500,000	500,000	14,913	24.61	29.58	120%	4.97	48.22	196%	23.61	47.28	192%	22.67	47.28	192%	22.67	(12,954,445)
6,861,908	MISSOULA/NEIGHBORHOOD	WASTEWATER	454	3,676	500,000	500,000	15,963	26.34	36.50	139%	10.16	53.37	203%	27.03	48.62	185%	22.28	48.62	185%	22.28	(2,828,866)
7,175,463	CHINOOK	WATER	726	3,662	313,555	313,555	19,276	31.81	43.75	138%	11.94	51.76	163%	19.95	47.73	150%	15.92	47.73	150%	15.92	(2,230,143)
7,655,707	FORT BENTON	WATER	636	3,633	480,244	480,244	22,469	37.07	34.25	92%	-2.82	47.71	129%	10.64	42.23	114%	5.16	42.23	114%	5.16	(1,448,339)
7,791,707	MILES CITY	WATER	3,449	3,616	136,000	136,000	21,224	35.02	35.94	103%	0.92	37.47	107%	2.45	36.64	105%	1.62	36.64	105%	1.62	(2,260,707)
8,291,707	LAKESIDE	WATER	167	3,615	500,000	500,000	29,865	49.28	65.83	134%	16.55	113.63	231%	64.35	90.91	184%	41.63	90.91	184%	41.63	(1,409,074)
8,552,735	NEIHART	WATER	81	3,536	261,028	261,028	18,750	19.69	30.00	152%	10.31	63.53	323%	43.84	30.00	152%	10.31	30.00	152%	10.31	(579,625)
8,552,735	CHOTEAU, TOWN OF*	WASTEWATER	868	3,533	100,000	0	19,482	32.15	6.61	21%	-25.54	9.22	29%	-22.93	8.43	26%	-23.72	9.22	29%	-22.93	1,984,647
8,552,735	MINERAL CO./SALTESE**	WASTEWATER	25	3,509	500,000	0	18,077	10.85	NO SYSTEM	0%	-10.85	212.93	1962%	202.08	39.50	364%	28.65	212.93	1962%	202.08	(581,950)
9,052,735	CORAM	WATER	87	3,410	500,000	500,000	13,167	13.83	20.00	145%	6.17	75.01	542%	61.18	23.30	168%	9.47	23.30	168%	9.47	(590,858)
9,052,735	LIVINGSTON*	WATER	2,763	3,263	276,750	0	20,208	33.34	26.18	79%	-7.16	26.84	81%	-6.50	26.18	79%	-7.16	26.84	81%	-6.50	1,468,509
9,052,735	LINCOLN/LEWIS & CLARK CO.**	WASTEWATER	329	3,249	235,325	0	16,250	9.75	24.38	250%	14.63	29.88	306%	20.13	25.28	259%	15.53	29.88	306%	20.13	(1,289,400)
9,472,735	CHOUTEAU CO./HIGHWOOD	WATER/WASTEWA	84	3,249	420,000	420,000	19,618	32.37	20.00	62%	-12.37	91.81	284%	59.44	59.65	184%	27.28	59.65	184%	27.28	(854,041)
9,752,735	BILLINGS/NEIGHBORHOOD	WASTEWATER	84	3,239	280,000	280,000	19,728	32.55	31.90	98%	-0.65	89.61	275%	57.06	59.40	182%	26.85	59.40	182%	26.85	(746,504)
9,881,650	JEFFERSON COUNTY	SOLID WASTE	3,500	3,165	128,915	128,915	31,400	9.42	9.92	105%	0.50	10.76	114%	1.34	9.92	105%	0.50	9.92	105%	0.50	(2,075,823)
10,381,650	RED LODGE/CITY	WATER	1,009	3,047	500,000	500,000	17,375	28.67	34.09	119%	5.42	40.75	142%	12.08	39.23	137%	10.56	39.23	137%	10.56	(4,460,052)
10,798,650	CHESTER	WATER	398	3,028	417,000	417,000	22,500	37.13	34.00	92%	-3.13	48.43	130%	11.30	39.69	107%	2.56	39.69	107%	2.56	(621,117)
11,148,650	HARDIN	WATER/STORM DR	1,064	2,906	350,000	350,000	21,045	34.72	35.18	101%	0.46	37.57	108%	2.85	35.18	101%	0.46	35.18	101%	0.46	(1,066,865)
11,548,650	THOMPSON FALLS***	WATER	603	2,889	500,000	400,000	19,659	32.44	52.31	161%	19.87	62.07	191%	29.63	54.88	169%	22.44	56.32	174%	23.88	(2,548,191)
12,048,650	BIG TIMBER	WASTEWATER	675	2,786	500,000	500,000	18,125	29.91	31.43	105%	1.52	37.98	127%	8.07	35.20	118%	5.29	35.20	118%	5.29	(1,949,289)
12,133,800	EKALAKA***	WASTEWATER	203	2,691	100,150	85,150	15,192	25.07	41.77	167%	16.70	45.46	181%	20.39	43.77	175%	18.70	44.10	176%	19.03	(1,604,415)
12,447,059	CULBERTSON	WASTEWATER	327	2,507	313,259	313,259	23,125	38.16	37.40	98%	-0.76	46.32	121%	8.16	40.40	106%	2.24	40.40	106%	2.24	(617,819)
12,887,059	GREAT FALLS/NEIGHBOR.***	WATER	88	2,408	496,050	440,000	23,861	39.37	21.27	54%	-18.10	123.92	315%	84.55	72.84	185%	33.47	77.97	198%	38.60	(821,913)
13,247,059	BAINVILLE	WATER	72	2,287	360,000	360,000	22,917	37.81	8.24	22%	-29.57	66.87	177%	29.06	40.12	106%	2.31	40.12	106%	2.31	(530,970)
13,719,979	HARLEM, CITY OF	WATER & SEWER	361	2,255	472,920	472,920	18,977	31.31	40.13	128%	8.82	50.92	163%	19.61	40.13	128%	8.82	40.13	128%	8.82	(883,474)
13,719,979	RICHLAND CO.**	BRIDGE	N/A	2,242	398,750	0	23,264	N/A	N/A	N/A	N/A	N/A		N/A	N/A		N/A	N/A		N/A	199,375
					15,524,536	13,719,979															

1 Indicates the amount of award an applicant would receive if sufficient funds were available.

2 Median Household Income as determined by 1990 Census data.

3 Financial gap analysis for water and waste water systems, and other enterprise systems use target rates based on 90% of targets. Target rates for water and waste water systems is based on the combination of the water system target rate percentage of 1.4% of MHI plus the target rate percentage for waste water systems of .8% of MHI, producing a combined target rate percentage of 2.20% of MHI. The target rate percentage for the solid waste project is .4% of MHI. For bridge projects supported by taxation, financial gap analysis is based on answers the applicant provides to 10 financial questions included on the financial information form.

4 Additional debt capacity (after allowance) is based on the difference between the monthly rate with full assistance and target rate, and then factoring in the number of hook-ups, the calculation determines the amount of additional debt that each hook-up could take on in order to bring the monthly rate up to the target rate. Communities that have some additional debt capacity may be recommended for partial funding, but will still not have monthly rates at the target rate because of the additional debt capacity provided to ensure that communities have some debt capacity remaining.

Allowed additional debt capacity by no. of households:

Less Than 500	Households	$500,000
501 to 1,5000	Households	$1,000,000
1,501 to 3,000	Households	$1,500,000
3,001 to 5,000	Households	$2,000,000
More Than 5,000	Households	$3,000,000

N/A - Project is not subject to target rate analysis.

* Town of Choteau and City of Livingston are recommended for loans, instead of grants. See loan chart and project summaries.

** Mineral County/Saltese, Lincoln/Lewis & Clark County, and Richland County are not recommended for funding due to technical and financial feasibility issues. See project summaries.

*** Some applicants are recommended for grant amounts less than requested based on DOC financial analysis and financial policies. See project summaries.

Applications recommended for TSEP grant awards.

Note: TSEP loan recommendations listed on a separate chart.

TSEP LOAN AWARD RECOMMENDATIONS CHART

Rank	Applicant	Note	Project Type	Loan Request	Loan Recommended	Cumulative Loan Total
2	Fort Peck, Water District	c	Water	$ 1,325,000.00	$ 1,325,000.00	$ 1,325,000.00
22	Choteau, City of	a	Wastewater	$ 0.00	$ 110,000.00	$ 1,435,000.00
23	Mineral Co./Saltese, Water/Sewer District	b	Wastewater	$ 76,277.00	$ 0.00	$ 1,435,000.00
24	Coram, Water/Sewer District	c, d	Water	$ 153,722.00	$ 170,000.00	$ 1,605,000.00
25	Livingston, City of	a	Water	$ 0.00	$ 300,000.00	$ 1,905,000.00
				$ 1,554,999.00	$ 1,905,000.00	$ 1,905,000.00

Note: For the rationale for these recommendations, see the TSEP Report to the 1997 Legislature.

(a) These projects are recommended for loans instead of grants based on TSEP financial analysis.

(b) These projects requested loans, but are not recommended for loans due to major technical and financial feasibility issues.

(c) These applicants requested loans, and approval of the loan request is recommended.

(d) The amount of the loan requested was increased because of administrative fees that were not taken into account by the applicant at the time of application.

PART 6
1997 APPLICATION (PROJECT) SUMMARIES
CHART OF APPLICANTS AND PROJECT NUMBERS

PROJECT #	NAME OF APPLICANT
1	Cascade, Town of
2	Fort Peck, Water District
3	Terry, Town of
4	Judith Gap, Town of
5	Glendive, City of
6	Twin Bridges, Town of
7	East Missoula, Sewer District
8	Glasgow, City of
9	Helena, City of
10	Richey, Town of
11	Hill County/Box Elder, Sewer District
12	Valier, Town of
13	Roundup, City of
14	Lewis & Clark County
15	Hamilton, City of
16	Missoula/Neighborhood
17	Chinook, City of
18	Fort Benton, City of
19	Miles City, City of
20	Lakeside, Water/Sewer District
21	Neihart, Town of
22	Choteau, City of
23	Mineral County/Saltese, Water/Sewer District
24	Coram, Water/Sewer District
25	Livingston, City of
26	Lewis & Clark County/Lincoln
27	Chouteau County/Highwood
28	Billings/Neighborhood
29	Jefferson County
30	Red Lodge, City of
31	Chester, Town of
32	Hardin, City of
33	Thompson Falls, City of
34	Big Timber, City of
35	Ekalaka, Town of
36	Culbertson, Town of
37	Great Falls/Neighborhood
38	Bainville, Town of
39	Harlem, City of
40	Richland County

PROJECT NO. 1
APPLICANT: TOWN OF CASCADE

Type Of Project: WASTEWATER SYSTEM IMPROVEMENTS

Funding Sources:

TSEP REQUEST		MATCHING FUNDS	
TSEP Grant	$500,000	CDBG Grant	$ 400,000
		DNRC Grant	$ 100,000
		SRF Loan	$1,330,000
		Local Grant	$ 6,500
Total	$500,000		$1,836,500

Project Total: $2,336,500

Project Of Matching Funds: 79%

Project Summary:

Problem - The Town of Cascade's wastewater treatment system consists of two lagoons, that are located on an island in the Missouri River, which leak so badly that they currently do not hold water. The deficiencies include:

1) lagoons are lacking liners,
2) a severe amount of effluent leakage is contaminating both groundwater and the Missouri River,
3) storm sewer drains are overloading the sewer collection system during storm events,
4) an antiquated lift station needs replacement.

Proposed Solution - The Town proposes to relocate and replace the wastewater collection and treatment facility with facultative lagoons and spray irrigation for disposal. A new lift station, storm drain lines and inlets will be installed.

Overall Ranking On 10 Statutory Priorities (90-6-710 (2) MCA):

The application received 4,922 out of 5,500 points possible, ranking 1st out of 40 applications. (Refer to the 1996 Applications: Ranking Scores For Ten Statutory Priorities Chart in Part 5 of this report.)

DOC Recommendation On Financial Assistance (90-6-710 (2) MCA):

DOC recommends funding for this project because:

1) Based on the methodology used in DOC's financial analysis, the Applicant does not appear to have the financial capacity to borrow the funds requested, as an alternative to receiving a TSEP grant. This is an affordability problem.
2) Without the TSEP grant, the combined water and wastewater rates charged to households would be 224% of the target rate, which indicates an extreme affordability problem for the residents. Without the TSEP grant, the combined rates would be $72.76 per month per household.

(Refer to the TSEP Financial Gap Analysis/Grant Award Recommendations Chart in Part 5 of this report.)

Recommended Conditions On The Project:

DOC does not recommend any conditions for the project.

Rationale For Ranking On 10 Statutory Priorities:

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority.

Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Ranked - BEST, 1000 POINTS

Two non-aerated lagoons located on an island in the Missouri River are not lined, and have a severe leakage problem that is contaminating both surface and groundwater. The lagoons are undersized and cannot provide proper treatment. As a result, the wastewater that is leaking out of the lagoons is not treated adequately and poses a threat to both human health and the environment. The lack of treatment has been documented by wastewater samples taken from the lagoons. There is a potential for disease outbreaks due to the contamination of groundwater and surface water of untreated sewage and may pose health hazards to downstream recreational and consumptive users.

Priority #2: MEETS HEALTH/SAFETY STANDARDS

Ranked - BEST, 900 POINTS

The Town of Cascade is currently under an EPA mandate for corrective action through an administrative compliance order. The Town has already been fined $125,000 for non-compliance, and subsequently reduced to $9,300 and requires a supplemental environmental project (SEP). The SEP requires the removal of storm water intakes from the sanitary sewer system and the construction of a separate storm drain sewer system.

Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Ranked - BEST, 800 POINTS

The DOC review engineer and the MDEQ agree that the selected alternative provides a complete long-term solution and appears to be the most reasonable approach when considering the Town's financial capacity. The Town should be able to meet all current regulations as well as meet the State of Montana's Non-Degradation Policy with the proposed improvements.

The DOC review engineer commented that the selected alternatives will have additional advantages. The wastewater from the treatment lagoons will be put to beneficial re-use as irrigation on farmland. The proposed alternative will eliminate the discharge of storm water into the sanitary sewer system which will lower the cost of

treatment and the overall cost of the wastewater treatment system.

Priority #4: BENEFITS TO PUBLIC COMPARED TO DOLLAR REQUEST

Ranked - ABOVE AVERAGE, 525 POINTS

The proposed project will eliminate a major source of pollution of the Missouri River from untreated sewage effluent. The storm drain improvements would eliminate the overflow of raw sewage into the Missouri River and reduce sewage backup into residential homes.

The improvements to the wastewater facility will result in a significant benefit to the public commensurate with the amount of TSEP financial assistance requested. The cost per household of $1,873 is average compared with other applicants. The current Town Council have demonstrated a commitment to resolve this problem over the last two years through comprehensive planning in order to provide public facilities that are adequate and cost effective.

Priority #5: REFLECTS GREATER FINANCIAL NEED (COMPETITIVE RANKING INDICATORS)

Ranked - 422 POINTS

The adjusted score is based on a weighted distribution of the total 600 available points for Statutory Priority #5, including indicator #1 (relative economic condition of households) and indicator #2 (target rate analysis).

(Lower ranking indicates greater financial need. For example, ranking 1st indicates a greatest need; ranking 40th indicates least financial need.)

Indicator 1. Household Economic Condition:

MHI	$19,659
% persons at or below LMI	38%
% persons at or below poverty	20%

Household Economic Condition Ranking: 21st in the field of 40 applications.

Analysis for Cascade's wastewater treatment improvement request shows that the median income of the Town's households is average (20th lowest of 40) among applicants for the 1996-97 TSEP financing cycle and that the relative concentration of persons living at or below the levels of poverty and "low and moderate" income is relatively high (12th and 28th of the 40 applicants). This combination of factors impacting the economic condition of the households produces a rank of 21st of the 40 applicants.

Indicator 2. Target Rate Analysis:

Existing Monthly Rate	$30.37
Variance From Target Rate	94%
Monthly Rate With No Assistance	$72.76
Variance From Target Rate	224%
Monthly Rate With Full TSEP Assistance	$60.15
Variance From Target Rate	185%

Target Rate Analysis Ranking: 5th in the field of 40 applications.

Overall Competitive Ranking: 14th in the field of 40 applications = 422 points.

Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Ranked - BEST, 500 POINTS

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
TSEP	Grant	$500,000	Applied/No Decision
CDBG	Grant	$400,000	Applied/No Decision
DNRC	Grant	$100,000	Applied/No Decision
SRF	Loan	$1,330,000	Applied
Local		$ 6,500	Committed
Total		$2,336,500	

The Applicant's matching funds (79% match) are in the highest percentage group compared with other applicants. The Applicant identified several alternative funding sources. The project will be phased to accommodate the TSEP funding cycle.

Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Ranked - ABOVE AVERAGE, 300 POINTS

The EPA has a moratorium on sewer hookups which is holding back growth in the community. Individual business owners and homeowners have expressed the impact by the moratorium for future economic and community development in Cascade.

Priority #8: ALLOWS EXPANSION OF BUSINESS

Ranked - ABOVE AVERAGE, 225 POINTS

The proposed project will not result in a specific business expansion, the improvements will remove a major obstacle to economic and community development.

Priority #9: MAINTAINS TAX BASE

Ranked - ABOVE AVERAGE, 150 POINTS

The application includes letters from individual homeowners and businesses that have been impacted by the moratorium which provides a specific obstacle to growth and development that is not faced by most other applicants.

Priority #10: HAS STRONG COMMUNITY SUPPORT

Ranked - BEST, 100 POINTS

The Town's public facility needs and planning process received considerable publicity in local area newspapers. City officials met with local service clubs and senior citizens and conducted a local opinion survey. The projected user charges, with and without various funding sources were discussed at a public hearing held by the Town Council. Letters of support from local citizens and businesses were also documented in the application. The Town has prepared a detailed mini-capital improvements plan, a needs assessment that identified priorities, and a work plan.

Total Points on 10 Priorities: 4922 points out of 5,500 points possible.

PROJECT NO. 2
APPLICANT: FORT PECK RURAL COUNTY WATER DISTRICT

Type Of Project: WATER SYSTEM CONSTRUCTION

Funding Sources:

TSEP GRANT		MATCHING FUNDS	
TSEP Grant	$500,000	Federal Appropriation	$5,475,000
		TSEP Loan	$1,325,000
Total	$500,000		$6,800,000

Project Total: $7,300,000

Percent Of Matching Funds: 93%

Project Summary:

Problem - The residents of the Fort Peck Rural County Water District in Valley County do not have a central public water system. About 95% of the residents currently haul their water from Fort Peck Reservoir or from the Town of Fort Peck. The problems include:

1) untreated drinking water from the reservoir has resulted in persons becoming ill;
2) water being contaminated by unsanitary tanks or during the transit by trucks to the homes;
3) water being contaminated because of storage in individual and unsanitary cisterns;
4) no ongoing monitoring or disinfection of drinking water in private water tanks; cisterns, or home storage facilities;
5) hauling and pumping water is a safety hazard in sub zero weather; and
6) inadequate quantities of water.

Proposed Solution - The proposed project includes construction of a new water treatment plant, water reservoir, intake, booster station, water mains, water service lines, installation of 54 hydrants, and water meters for each residential or commercial hook-up. The project would provide full pressurized water service to all water users in the Park Grove, Wheeler, Duck Creek, and Cabin neighborhoods, and for rural residences within the district's boundaries.

Overall Ranking On 10 Statutory Priorities (90-6-710 (2) MCA):

The application received 4,669 out of 5,500 points possible, ranking 2nd out of 40 applications. (See the 1996 Applications: Ranking Scores for Ten Statutory Priorities Chart in Part 5 of this report.)

DOC Recommendations On Financial Assistance (90-6-710 (2) MCA):

DOC recommends funding for this project because:

1) Based on the methodology used in DOC's financial analysis, the Applicant does not appear to have the financial capacity to borrow the funds requested as an alternative to receiving a TSEP grant. This is an affordability problem.
2) Without the TSEP grant, the water rates charged to households would be 441% of the target rate, which indicates an extreme affordability problem for the ratepayers. Without the TSEP grant the water rates would be about $114.37 per month per household. With the TSEP grant, the water rates charged to households will be 351% of the target rate, which still indicates an extreme affordability problem for the ratepayers.
3) Thus, DOC recommends $500,000 in TSEP grant funds for this project. DOC also recommends $1,325,000 in TSEP loan funds, to be administered by DNRC, for this project.

(See the TSEP Financial Gap Analysis/Grant Award Recommendations Chart in Part 5 of this report.)

DOC Recommended Conditions On The Project:

No conditions are being recommended for this project.

Rationale For Ranking On 10 Statutory Priorities:

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority.

Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Ranked - BEST, 1000 POINTS

The residents of this rural area in Valley County have no central public water system and must haul water and store it in private tanks or cisterns. Some of the health and safety problems with the use of the privately hauled water include:

1) the use of untreated drinking water from the reservoir has resulted in persons becoming ill;
2) water is contaminated by unsanitary tanks or during the transit by trucks to the homes;
3) water is contaminated because of storage in individual and unsanitary cisterns;
4) there is no ongoing monitoring or disinfection of drinking water in private water tanks; cisterns, or home storage facilities; and
5) hauling and pumping water is a safety hazard in sub zero weather.

There is a significant public health risk associated with the use of hauled water when compared to properly maintained and treated water from a central public water system. In 1987, for example, 15 to 20 persons became ill from drinking water hauled from the Reservoir. The use of this surface water, which is not filtered or treated, is a serious public health threat. The use of surface water without adequate filtration and disinfection is a serious public health threat as documented by the existence of the EPA Surface Water Treatment Rule and as documented by numerous studies and reports. The unsanitary conditions in the tanks used to haul water and the cisterns are very likely to cause illness. The entire Water District is impacted by this continual and chronic problem. Because water that is hauled by private individuals for their own use is not regulated by the state or federal governments, there is no written correspondence from state or federal agencies substantiating the seriousness of the deficiency.

Priority #2: MEETS HEALTH/SAFETY STANDARDS

Ranked - ABOVE AVERAGE, 675 POINTS

Water hauled by private individuals typically violate biological contaminant requirements (coliform bacteria) established for public water systems. However, the hauling and use of water by private individuals is not regulated and therefore there is no opportunity for state or federal agency mandates or directives. If the private water "facilities" were regulated, DEQ boil orders and mandated improvements would likely be required since illness has been documented due to water contamination in the District.

Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Ranked - BEST, 800 POINTS

The proposed construction of a new public central water system will eliminate the deficiencies of the present situation and will provide safe drinking water for the residents. A very detailed preliminary engineering study was completed by both a private consulting engineer and the federal Bureau of Reclamation. The Applicant's engineering study analyzed 15 different engineering design alternatives for the project. The Applicant's engineering analysis thoroughly explored the available alternatives. The DOC review engineer concurred with the Applicant's recommended engineering alternative. The proposed engineering design is cost effective. Water meters will be installed as part of the project as a cost effective measure.

Priority #4: BENEFITS TO PUBLIC COMPARED TO DOLLAR REQUEST

Ranked - BEST, 700 POINTS

The project would result in a high public benefit to the public commensurate with the amount of financial assistance requested. The urgency of the health threat was ranked "best" and the Applicant's engineering design was ranked "best". The project has a $2,222 cost per household, which is low to moderate compared to other TSEP applicants. The Applicant would provide 93% matching funds. This amount of matching funds is in the highest percentage group out of a total of four groups.

The Applicant used an extensive planning process. The Applicant's preliminary engineering design considered 15 different alternatives, prior to selection of the proposed engineering alternative. The project includes installation of water meters for all water service connections. The Applicant has applied for and received a special congressional appropriation for partial funding. In Montana, this is an innovative approach to community water system funding. The project would result in the first public central water system for a rural area which does not have a public system.

Priority #5: REFLECTS GREATER FINANCIAL NEED (COMPETITIVE RANKING INDICATORS)

Ranked - 469 POINTS

The adjusted score is based on a weighted distribution of the total 600 available points for Statutory Priority #5, including indicator #1 (relative economic condition of households) and indicator #2 (target rage analysis).

(Lower ranking indicates greater financial need. For example, ranking 1st indicates a greatest need; ranking 40th indicates least financial need.)

Indicator 1. Household Economic Condition:

MHI	$24,717
% persons at or below LMI	39%
% persons at or below poverty	8%

Household Economic Condition Ranking: 35th in the field of 40 applications.

Analysis for the Fort Peck County Water District water system request shows that the median income of the area's households is $24,717 (36th lowest of 40) among applicants for the 1996-97 TSEP financing cycle and that the relative concentration of persons living at or below the levels of poverty and "low and moderate" income is 37th and 25th. This combination of factors impacting the economic condition of the households produces a rank of 35th of the 40 applicants.

Indicator 2. Target Rate Analysis:

Existing Monthly Rate	(No public system)
Variance From Target Rate	0%
Monthly Rate With No Assistance	$114.37
Variance From Target Rate	441%
Monthly Rate With TSEP Assistance	$ 91.00
Variance From Target Rate	351%

Target Rate Analysis Ranking: 1st in the field of 40 applications.

Overall Competitive Ranking: 8th in the field of 40 applications = 469 points.

Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Ranked - BEST, 500 POINTS

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
TSEP	Grant	$ 500,000	Applied/No Decision
TSEP	Loan	$1,325,000	Applied/No Decision
Federal Appropriation	Grant	$5,475,000	Passed One House in Congress, Further Action Pending
Total		$7,300,000	

The Applicant would provide 93% matching funds. The matching funds are partially committed. The Applicant thoroughly discussed alternative funding options for the project.

Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Ranked - AVERAGE, 200 POINTS

The project represents a general infrastructure improvement and would not directly result in the creation or retention of long-term, full-time jobs.

Priority #8: ALLOWS EXPANSION OF BUSINESS

Ranked - AVERAGE, 150 POINTS

The project represents a general infrastructure improvement and would not directly result in the expansion of a specific business. The Applicant stated that building the public water system could enable ranchers to graze more cattle. However, the application did not contain specific documentation, such as letters from ranchers, that specific ranches would definitely expand their cattle herds if the new water system was built.

Priority #9: MAINTAINS TAX BASE

Ranked - AVERAGE, 100 POINTS

The project represents a general infrastructure improvement and should maintain and may even expand the tax base. The Applicant did not identify any viable private sector alternatives to building the new water system.

Priority #10: HAS STRONG COMMUNITY SUPPORT

Ranked - ABOVE AVERAGE, 75 POINTS

A public hearing was held on the proposed TSEP project and the public was informed of the costs of the project. There were also five other meetings held, going back to 1992. There was a public opinion survey conducted to see if people would pay for the proposed project. The survey documented public support for the project. Three newspaper articles were included as part of the application.

Total Points on 10 Priorities: 4,669 points out of 5,500 points possible.

PROJECT NO. 3
APPLICANT: TOWN OF TERRY

Type Of Project: **SANITARY/STORM SEWER SYSTEM IMPROVEMENTS**

Funding Sources:

TSEP REQUEST		MATCHING FUNDS	
TSEP Grant	$500,000	RD Grant	$532,460
		RD Loan	$432,500
		Town Cash	$ 30,240
Total	$500,000		$995,200

Project Total: $1,495,200

Percent Of Matching Funds: 67%

Project Summary:

Problem - The Terry wastewater system has some deficiencies which has resulted in backups of sewage in basements, overflow of sewage from manholes, and the potential contamination of shallow wells. The deficiencies include:

1) vitrified clay pipe that is cracked, broken and collapsed, allowing both infiltration and exfiltration,
2) joints that are wide or offset that obstructs the flow and contributes to plugging,
3) undersized sewer lines, and
4) a combined sanitary and storm sewer which causes the system to overload during storm events, thereby affecting detention time and the adequacy of treatment.

Proposed Solution - The proposed project would involve replacing approximately 16,350 feet of sanitary sewer, constructing approximately 3,250 feet of storm drain, and installing approximately 66 manholes.

Overall Ranking On 10 Statutory Priorities (90-6-710 (2) MCA):

The application received 4,538 points out of 5,500 points possible, ranking 3rd out of 40 applications. (Refer to the 1996 Applications: Ranking Scores for Ten Statutory Priorities Chart in Part 5 of this report.)

DOC Recommendations On Financial Assistance (90-6-710 (2) MCA):

DOC recommends funding for this project because:

1) Based on the methodology used in DOC's financial analysis, the Applicant does not appear to have the financial capacity to borrow the funds requested as an alternative to receiving a TSEP grant. This is an affordability problem.
2) Without the TSEP grant, the combined water and wastewater rates charged to households would be

320% of the target rate, which indicates an extreme affordability problem for the ratepayers. With the TSEP grant, the combined water and wastewater rates charged to households will be 259% of the target rate, which still indicates an extreme affordability problem for the ratepayers.

3) Thus, DOC recommends $500,000 in TSEP grant funds for this project.

(Refer to the TSEP Financial Gap Analysis/Grant Award Recommendations Chart in Part 5 of this report.)

DOC Recommended Conditions On The Project:

No conditions are being recommended for this project.

Rationale For Ranking On 10 Statutory Priorities:

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority.

Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Ranked - BEST, 1000 POINTS

These deficiencies represent a serious health threat and is likely to result in both illness and environmental pollution. The entire town is at risk along with downstream users. The regional MDEQ office substantiates that the present condition of the sanitary sewer collection system poses a serious threat to health, safety, private property and the environment.

Priority #2: MEETS HEALTH/SAFETY STANDARDS

Ranked - ABOVE AVERAGE, 675 POINTS

The identified deficiencies clearly violate state and federal health and safety standards, and represent a serious threat to public health and safety. Due to the lack of any directives to correct deficiencies this project was not ranked "Best."

Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Ranked - BEST, 800 POINTS

The analysis thoroughly explored the available alternatives and the review engineer concurred with the recommended alternative. The chosen alternative is cost-effective, technically sound and will provide the town with a long-term solution to its collection system problems.

Priority #4: BENEFITS TO PUBLIC COMPARED TO DOLLAR REQUEST

Ranked - ABOVE AVERAGE, 525 POINTS

This project would result in an above average benefit to the public commensurate with the amount of financial assistance requested. There is a significant health and safety threat that would be resolved with this project.

The cost per household ($1,282) is moderate compared to other applicants, and matching funds (67%) are in the second highest percentage group. Substantial planning efforts have been made to deal with the public facility problem. The problem is not a result of inadequate operational or maintenance practices.

Priority #5: REFLECTS GREATER FINANCIAL NEED (COMPETITIVE RANKING INDICATORS)

Ranked - 538 POINTS

The adjusted score is based on a weighted distribution of the total 600 available points for Statutory Priority #5, including indicator #1 (relative economic condition of households) and indicator #2 (target rate analysis).

(Lower ranking indicates greater financial need. For example, ranking 1st indicates a greatest need; ranking 40th indicates least financial need.)

Indicator 1. Household Economic Condition:

MHI	$15,809
% persons at or below LMI	49%
% persons at or below poverty	13.8%

Household Economic Condition Ranking: 12th in the field of 40 applications.

Analysis for Terry's sanitary/storm sewer system improvement request shows that the median income of the Town's households is relatively high (6th lowest of 40) among applicants for the 1996-97 TSEP financing cycle and that the relative concentration of persons living at or below the levels of poverty and "low and moderate" income is average (25th and 14th of the 40 applicants). This combination of factors impacting the economic condition of the households produces a rank of 12th of the 40 applicants.

Indicator 2. Target Rate Analysis:

Existing Monthly Rate	$20.00
Variance From Target Rate	211%
Monthly Rate With No Assistance	$30.41
Variance From Target Rate	320%
Monthly Rate With Full TSEP Assistance	$24.56
Variance From Target Rate	259%

Target Rate Analysis Ranking: 1st in the field of 40 applications.

Overall Competitive Ranking: 2nd in the field of 40 applications = 538 points.

Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Ranked - BEST, 500 POINTS

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
TSEP	Grant	$500,000	Applied/No Decision
RD	Loan	$432,500	Pre-application Submitted
RD	Grant	$532,460	Pre-application Submitted
Town	Cash	$30,240	Committed
Total		$1,495,200	

Matching funds (67% match) are in the second highest percentage group compared to other applications. The Town's cash is fully committed with a resolution. Since the Applicant has already received CDBG and RD funding for phase one, and is likely to receive a second loan and a grant from RD, this project is strongly dependent on TSEP funds. The Applicant has thoroughly analyzed all funding options.

Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Ranked - AVERAGE, 200 POINTS

The project represents a general infrastructure improvement and would not directly result in the creation or retention of long-term, full-time jobs.

Priority #8: ALLOWS EXPANSION OF BUSINESS

Ranked - AVERAGE, 150 POINTS
The project represents a general infrastructure improvement and would not directly result in the expansion of a specific business.

Priority #9: MAINTAINS TAX BASE

Ranked - AVERAGE, 100 POINTS

The project represents a general infrastructure improvement that should protect and may even expand the tax base. No appropriate private sector alternatives were identified.

Priority #10: HAS STRONG COMMUNITY SUPPORT

Ranked - AVERAGE, 50 POINTS

While the Applicant held public meetings and has a CIP, this response was considered to be average since the Applicant failed to document that the public was informed of the estimated cost per household or of any anticipated increases in user charges.

Total Points on 10 Priorities: 4,538 points out of 5,500 points possible.

PROJECT NO. 4
APPLICANT: TOWN OF JUDITH GAP

Type Of Project: WASTEWATER TREATMENT FACILITY

Funding Sources:

TSEP REQUEST		MATCHING FUNDS	
TSEP Grant	$130,000	CDBG Grant	$310,000
		SRF Loan	$190,000
Total	$130,000		$500,000

Project Total: $630,000

Percent Of Matching Funds: 79%

Project Summary:

Problem - The Town currently discharges raw sewage from two community septic tanks into Stevens Gulch, a state water. This proposed project will construct a total retention pond to treat wastewater and eliminate the discharges.

1) The wastewater is receiving little or no treatment before discharged into Stevens Gulch.
2) The discharge of raw sewage represents a serious public health risk and threat to the environment.

Proposed Solution - The selected alternative is to construct a total retention lagoon that will allow the Town to comply with the DEQ directive and operate without a discharge permit. The improvements will require minimal operational skill and provide a long-term solution for compliance with health and safety standards.

Overall Ranking On 10 Statutory Priorities (90-6-710 (2) MCA):

The application received 4,474 out of 5,500 points possible, ranking 4th out of 40 applications. (Refer to the 1996 Applications: Ranking Scores For Ten Statutory Priorities Chart in part 5 of this report.)

DOC Recommendations On Financial Assistance (90-6-710 (2) MCA):

DOC recommends funding for this project because:

1) Based on the methodology used in DOC's financial analysis, the Applicant does not appear to have the financial capacity to borrow the funds requested as an alternative to receiving a TSEP grant. This is an affordability problem.
2) Without the TSEP grant, the combined water and wastewater rates charged to households would be 145% of the target rate, which indicates an affordability problem for the ratepayers.
3) DOC recommends $130,000 in TSEP grant funds for this project.

(Refer to the TSEP Financial Gap Analysis/Grant Award Recommendations Chart in part 5 of this report.)

Recommended Conditions For This Project:

DOC does not recommend any conditions for the project.

Rationale For Ranking On 10 Statutory Priorities:

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority.

Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Ranked - BEST, 1000 POINTS

1) The Montana Department of Environmental Quality has cited the Town for an illegal sewer discharge and issued a compliance schedule to address the serious health issue involved with discharging raw sewage. The Town has complied by preparing a preliminary facility plan and an approved compliance schedule for eliminating the discharge.

2) The release of untreated wastewater represents a serious public health risk and threat to the environment.

Priority #2: MEETS HEALTH/SAFETY STANDARDS

Ranked - BEST, 900 POINTS

The project will enable the Town of Judith Gap to meet state and federal health standards and DEQ's compliance order. The engineering analysis evaluated several alternatives for a long-term solution.

The only deficiency not in the application was the lack of flow monitoring to substantiate the contention that the system is not heavily affected by infiltration. However, the inspections revealed that the collection system was in good condition.

Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Ranked - BEST, 800 POINTS

The evaporative retention lagoon can be lined to ensure that no wastewater leaks will occur from the bottom of the lagoon. The lagoon will not discharge wastewater, which will meet the concern of DEQ. The selected alternative is technically sound, cost effective and will provide the town a long-term solution to its wastewater problems.

Priority #4: BENEFITS TO PUBLIC COMPARED TO DOLLAR REQUEST

Ranked - ABOVE AVERAGE, 525 POINTS

This project would result in an above average benefit to the public commensurate with the amount of financial assistance requested. Without TSEP assistance, the project would not likely proceed. The Town is proposing to raise sewer rates again when they receive notice of the TSEP funding awards. The applicant has not demonstrated a long-term, commitment to comprehensive planning.

Priority #5: REFLECTS GREATER FINANCIAL NEED (COMPETITIVE RANKING INDICATORS)

Ranked - 374 POINTS

The adjusted score is based on a weighted distribution of the total 600 available points for Statutory Priority #5, including indicator #1 (relative economic condition of households) and indicator #2 (target rate analysis).

(Lower ranking indicates greater financial need. For example, ranking 1st indicates a greatest need; ranking 40th indicates least financial need.)

Indicator 1. Household Economic Condition:

MHI	$16,500
% persons at or below LMI	52 %
% persons at or below poverty	25.4%

Household Economic Condition Ranking: 9th in the field of 40 applications.

Analysis for Judith Gap's wastewater treatment improvement request shows that the median income of the City's households is relatively low (10th lowest of 40) among applicants for the 1996-97 TSEP financing cycle and that the relative concentration of persons living at or below the levels of poverty and "low and moderate"income is relatively high (4th and 10th of the 40 applicants). This combination of factors impacting the economic condition of the households produces a rank of 9th of the 40 applicants.

Indicator 2. Target Rate Analysis:

Existing Monthly Rate	$12.00
Variance From Target Rate	44%
Monthly Rate With No Assistance	$39.38
Variance From Target Rate	145%
Monthly Rate With Full TSEP Assistance	$29.00
Variance From Target Rate	107%

Target Rate Analysis Ranking: 19th in the field of 40 applications.

Overall Competitive Ranking: 19th in the field of 40 applications = 374 points.

Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Ranked - ABOVE AVERAGE, 375 POINTS

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
TSEP	Grant	$130,000	Applied/No Decision
CDBG	Grant	$310,000	No Application submitted
SRF	Loan	$190,000	No application submitted
Total		$630,000	

Applications to the CDBG and SRF programs have not been submitted. The Town plans to submit applications to the CDBG program in June 1997. The amount of matching funds (79% match) is in the highest percentage group compared with other applicants.

Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Ranked - AVERAGE, 200 POINTS

The project represents a general infrastructure improvement and would not directly result in the creation or retention of any long-term, full-time jobs.

Priority #8: ALLOWS EXPANSION OF BUSINESS

Ranked - AVERAGE, 150 POINTS

The project represents a general infrastructure improvement and would not directly result in the expansion of a specific business.

Priority #9: MAINTAINS TAX BASE

Ranked - AVERAGE, 100 POINTS

The project represents a general infrastructure improvement. No appropriate private sector alternatives were identified.

Priority #10: HAS STRONG COMMUNITY SUPPORT

Ranked - AVERAGE, 50 POINTS

The Applicant has not documented a strong community support for the project, or a history of planning for infrastructure development through a complete Capital Improvement Plan. The Town Council held a public meeting to discuss the proposed project and associated costs.

Total Points on 10 Priorities: 4,474 points out of 5,500 points possible.

PROJECT NO. 5
APPLICANT: CITY OF GLENDIVE

Type Of Project: WATER TREATMENT IMPROVEMENTS

Funding Sources:

TSEP REQUEST		MATCHING FUNDS	
TSEP Grant	$500,000	DNRC	$553,918
Total	$500,000		$553,918

Project Total: $1,053,918

Percent Of Matching Funds: 53%

Project Summary:

Problem - The Department of Environmental Quality has mandated improvements to the clear well to address the disinfection contact time requirements. The City is not able to meet the contact time requirement at all times with the present system because the current clear well lacks enough storage capacity to properly treat a sufficient amount of water before it enters the transmission lines. The deficiencies with the water treatment facility include:

1) insufficient water storage resulting in inadequate disinfection contact time that could cause illness and disease,
2) the failure of the intake structure could result in the City to loose the only source of water and property loss due to unsanitary conditions and the inability to control fires.

Proposed Solution - The project proposes to replace the existing water supply intake structure, constructed in 1916. The improvements will upgrade the existing clear well with baffling, and construct a new clear well for additional storage to satisfy the disinfection contact requirements. A new intake structure and pumps will significantly reduce the risk of failure of the intake and completely solves the problem.

Overall Ranking On 10 Statutory Priorities (90-6-710 (2) MCA):

The application received 4,404 out of 5,500 points possible, ranking 5th out of 40 applications. (Refer to the 1996 Applications: Ranking Scores For Ten Statutory Priorities Chart in Part 5 of this report.)

DOC Recommendations On Financial Assistance (90-6-710 (2) MCA):

DOC recommends funding for this project because:

1) Based on the methodology used in DOC's financial analysis, the Applicant does not appear to have the financial capacity to borrow the funds requested as an alternative to receiving a TSEP grant. This is an affordability problem.
2) Without the TSEP grant, the combined water and wastewater rates charged to households would be 114% of the target rate, which indicates an affordability problem for the ratepayers.
3) Thus, DOC recommends $500,000 in TSEP grant funds for this project.

(Refer to the TSEP Financial Gap Analysis/Grant Award Recommendations Chart in Part 5 of this report.)

Recommended Conditions Of This Project:

DOC does not recommend any conditions for the project.

Rationale For Ranking On 10 Statutory Priorities:

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority.

Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Ranked - BEST, 1000 POINTS

The application has documented that a significant public health risk exists because inadequate disinfection contact time is provided at the water plant. DEQ has written the City requiring correction of the disinfection contact time and has issued a Public Notification of Treatment Technique Violation and required the City to publish this notification in the newspaper. The notification informs the public of the violation of disinfection contact time and advises the community of the public health impact. Inadequate disinfection contact time may result in illnesses to occur.

In addition, the water intake structure is clearly at the end of its service life and susceptible to failure. The failure of the intake structure would result in the inability to provide water to the City. The lack of water would result in unsanitary conditions, the inability to control fires and may result in property damage and human illness and disease.

Priority #2: MEETS HEALTH/SAFETY STANDARDS

Ranked - BEST, 900 POINTS

The application documents the violation of treatment techniques of the Surface Water Treatment Rule and state design standards. The construction of a new clear well and addition of baffles in the existing clear well will satisfy the disinfection contact requirements in a thorough and complete manner. The new intake structure and pumps will significantly reduce the risk of property loss due to the inability to control fires. The improvements to the disinfection and the intake structure will address the problem and provide a reasonably complete and long-term solution for compliance with the health and safety standards.

Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Ranked - ABOVE AVERAGE, 600 POINTS

The proposed project provides a complete, and long-term solution for the two deficiencies identified with the existing water treatment plant. Several alternatives were investigated to provide additional clear well capacity. The lowest cost most efficient alternative was selected for this project.

Priority #4: BENEFITS TO PUBLIC COMPARED TO DOLLAR REQUEST

Ranked - BEST, 700 POINTS

This project will result in a high benefit to the public commensurate with the amount of financial assistance requested. The applicant documented the serious deficiency that exists within the current water treatment facility. The applicant has made substantial past efforts towards capital improvement planning and recent progress in restructuring the user charges. The City has adequate operational and maintenance budgets and practices. Matching funds are in the third highest percentage group and the amount of TSEP funds requested per household ($283) is relatively low compared to other applications.

Priority #5: REFLECTS GREATER FINANCIAL NEED (COMPETITIVE RANKING INDICATORS)

Ranked - 304 POINTS

The adjusted score is based on a weighted distribution of the total 600 available points for Statutory Priority #5, including indicator #1 (relative economic condition of households) and indicator #2 (target rate analysis).

(Lower ranking indicates greater financial need. For example, ranking 1st indicates a greatest need; ranking 40th indicates least financial need.)

Indicator 1. Household Economic Condition:

MHI	$22,240
% persons at or below LMI	34 %
% persons at or below poverty	13.1%

Household Economic Condition Ranking: 30th in the field of 40 applications.

Analysis for Glendive's water treatment improvement request shows that the median income of the city's households is average (23rd lowest of 40) among applicants for the 1996-97 TSEP financing cycle and that the relative concentration of persons living at or below the levels of poverty and "low and moderate"income is relatively high (11th and 8th of the 40 applicants). This combination of factors impacting the economic condition of the households produces a rank of 30th of the 40 applicants.

Indicator 2. Target Rate Analysis:

Existing Monthly Rate	$33.96
Variance From Target Rate	93%
Monthly Rate With No Assistance	$41.70
Variance From Target Rate	114%
Monthly Rate With Full TSEP Assistance	$39.19
Variance From Target Rate	107%

Target Rate Analysis Ranking: 19th in the field of 40 applications.

Overall Competitive Ranking: 31st in the field of 40 applications = 304 points .

Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Ranked - ABOVE AVERAGE, 375 POINTS

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
TSEP	Grant	$ 500,000	Applied/No Decision
DNRC	Grant	$ 553,918	Committed
Total		$ 1,053,918	

The DNRC funds were authorized by the 1989 Legislature. Interim financing was the only other funding source discussed in the application. The Applicant's matching funds (53% match) are in the third highest percentage group.

Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Ranked - AVERAGE, 200 POINTS

The project represents a general infrastructure improvement and would not directly result in the creation or retention of any long-term, full-time jobs.

Priority #8: ALLOWS EXPANSION OF BUSINESS

Ranked - AVERAGE, 150 POINTS

The project represents a general infrastructure improvement and would not directly result in the expansion of a specific business. The project represents a general infrastructure improvement with the potential of businesses to develop within the project area. The impact on job creation and business expansion is indirect. The Applicant did not provide documentation of specific business proposals.

Priority #9: MAINTAINS TAX BASE

Ranked - AVERAGE, 100 POINTS

The project represents a general infrastructure improvement with the potential for expansion of the tax base once the treatment facility increases the current capacity. The Applicant did not provide clear documentation or quantified an amount the tax base might expand. No appropriate private sector alternatives were identified.

Priority #10: HAS STRONG COMMUNITY SUPPORT

Ranked - ABOVE AVERAGE, 75 POINTS

The Applicant has held numerous meetings since 1989 to discuss the current project. Residents of the area were informed of the project cost and costs per user through the news media and public meetings. The City has a water and sewer Master Plan for addressing public facility priorities which prioritized construction improvements and repairs to the water and wastewater systems.

Total Points on 10 Priorities: 4,404 points out of 5,500 points possible.

PROJECT NO. 6
APPLICANT: TOWN OF TWIN BRIDGES

TYPE OF PROJECT: WATER SYSTEM IMPROVEMENTS

FUNDING SOURCES:

TSEP REQUEST		MATCHING FUNDS	
TSEP Grant	$500,000	CDBG Grant	$400,000
		DNRC Grant	$100,000
		DNRC Loan	$200,000
		Town	$ 68,500
Total	$500,000		$768,500

PROJECT TOTAL: $1,268,500

PERCENT OF MATCHING FUNDS: 61%

PROJECT SUMMARY:

Problem - The Town of Twin Bridges has identified deficiencies in the storage facilities and distribution system.

1) The Town's 50,000 gallon water storage tank is not sufficient to provide adequate capacity.
2) Distribution lines are not looped so there is the potential for contamination due to stagnant water in dead end lines.
3) Distribution lines are undersized to carry the required fire flow. Water flows and pressures do not meet minimum standards for daily usage and fire protection.

Proposed Solution - The proposed project consists of improvements to the Town's water supply, storage and distribution system. A 300,000 gallon reservoir will be constructed. A twelve -inch transmission main will connect the new reservoir to the existing distribution system. Portions of the distribution system will be replaced to increase the available fire flow and to correct excessive leakage throughout the system. Both water supply wells will also be improved with the addition of pressure release valves, pump control valves, flow meters and miscellaneous piping.

OVERALL RANKING ON 10 STATUTORY PRIORITIES (90-6-710 (2) MCA):

The application received 4,376 out of 5,500 points possible, ranking 6th out of 40 applications. (Refer to the 1996 Applications: Ranking Scores For Ten Statutory Priorities Chart in Part 5 of this report.)

DOC RECOMMENDATION ON FINANCIAL ASSISTANCE (90-6-710 (2) MCA):

DOC recommends funding for this project because:

1) Based on the methodology used in DOC's financial analysis, the Applicant does not appear to have the financial capacity to borrow the funds requested as an alternative to receiving a TSEP grant. This is an affordability problem.
2) Without the TSEP grant, the combined water and wastewater rates charged to households would be 291% of the target rate, which indicates an affordability problem for the ratepayers.
3) DOC recommends $500,000 in TSEP grant funds for this project.

(Refer to the TSEP Financial Gap Analysis/Grant Award Recommendations Chart in Part 5 of this report.)

RECOMMENDED CONDITIONS FOR THIS PROJECT:

DOC recommends the Applicant implement a well head protection policy to protect the Town's water system from potentially hazardous wastes.

RATIONALE FOR RANKING ON 10 STATUTORY PRIORITIES:

The score of each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority.

Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Ranked - ABOVE AVERAGE, 750 POINTS

Serious deficiencies exist with the Town's 50,000 gallon water storage tank and distribution system. The 80 year old water tank is in urgent need of interior welding and repainting. The current water storage and pressures are insufficient to suppress a major fire event. Additional storage is needed to satisfy ISO and UFC requirements for fire suppression. A minimum storage of 300,000 gallons is required to suppress a major fire.

The water system analysis identified several lines throughout the system which are undersized and have tuberculated interiors which result in insufficient flows available for fire suppression. The mains consist of antiquated cast iron pipes and lead caulked joints. The build up of tuberculation in the mains may have contributed to instances of contamination during the past several years. The current distribution system is also suspect of creating negative pressure in certain areas of Town where undersized lines and high friction causes negative pressures which tends to suck contaminated water back into the system from household appliances.

Priority #2: MEETS HEALTH/SAFETY STANDARDS

Ranked - ABOVE AVERAGE, 675 POINTS

The Town is not currently under any mandate by a state or federal agency to upgrade their water system. The present water system does not meet the current design standards in that there is not sufficient storage capacity to provide the required two-hour flow for fighting a major fire. The distribution lines in many locations are also too small to convey the required amount of water necessary to fight a major fire. The Town's business district and school would be at a significant risk if a fire were to occur.

Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Ranked - BEST, 800 POINTS

The project thoroughly addresses the problems and provides a complete and long-term solution. The community does not currently have water meters on their system. Water meter installation will not be addressed under this project. An in depth analysis dealing with the feasibility of meter implementation on a community wide basis was performed. The analysis showed that installation of meters and implementation of a long term reading and O&M program was not economically feasible for the Town.

Priority #4: BENEFITS TO PUBLIC COMPARED TO DOLLAR REQUEST

Ranked - ABOVE AVERAGE, 525 POINTS

The applicant has identified deficiencies in the water system that create a significant threat to public safety. The Town has committed to a long term solution for upgrading the water system to meet projected needs for the next twenty years. The Town has prepared a mini-capital improvements plan and steadily increased water rates. This project will result in an above average benefit to the public commensurate with the amount of financial assistance requested.

The amount requested per household ($2,032) is average compared to other applications and matching funds (61%) are in the second highest percentage. The Applicant has demonstrated some commitment to providing public facilities that are adequate and cost-effective through the planning process.

Priority #5: REFLECTS GREATER FINANCIAL NEED (COMPETITIVE RANKING INDICATORS)

Ranked - 476 POINTS

The adjusted score is based on a weighted distribution of the total 600 available points for Statutory Priority #5, including indicator #1 (relative economic condition of households) and indicator #2 (target rate analysis).

(Lower ranking indicates greater financial need. For example, ranking 1st indicates a greatest need; ranking 40th indicates least financial need.)

Indicator 1. Household Economic Condition:

MHI	$12,969
% persons at or below LMI	49 %
% persons at or below poverty	22.7%

Household Economic Condition Ranking: 4th in the field of 40 applications.

Analysis for the Town of Twin Bridges' wastewater treatment improvement request shows that the median income of the Town's households is lowest (1st lowest of 40) among applicants for the 1996-97 TSEP financing cycle and that the relative concentration of persons living at or below the levels of poverty and "low and moderate"income is relatively low (7th and 14th of the 40 applicants). This combination of factors

impacting the economic condition of the households produces a rank of 4th of the 40 applicants.

Indicator 2. Target Rate Analysis:

Existing Monthly Rate	$34.45
Variance From Target Rate	161%
Monthly Rate With No Assistance	$62.24
Variance From Target Rate	291%
Monthly Rate With Full TSEP Assistance	$40.50
Variance From Target Rate	189%

Target Rate Analysis Ranking: 5th in the field of 40 applications.

Overall Competitive Ranking: 6th in the field of 40 applications = 476 points.

Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Ranked - BEST, 500 POINTS

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
TSEP	Grant	$500,000	Applied/No Decision
CDBG	Grant	$400,000	Applied/No Decision
DNRC	Grant	$100,000	Applied/No Decision
DNRC	Loan	$200,000	Applied/No Decision
Local	Grant	$ 68,500	Committed
Total		$1,268,500	

The Applicant's matching funds (61% match) are in the second highest percentage group. Without TSEP participation, the project would not be financially feasible for the Town. The Town did examine several other alternative funding sources.

Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Ranked - ABOVE AVERAGE, 300 POINTS

The project represents a general infrastructure improvement which may result in the creation or retention of long-term, full-time jobs. The applicant did provide documentation that this project would indirectly provide long-term, full-time job opportunities for Montanans.

Priority #8: ALLOWS EXPANSION OF BUSINESS

Ranked - AVERAGE, 150 POINTS

The project does not involve a specific business expansion. The impact on job creation and business expansion is indirect.

Priority #9: MAINTAINS TAX BASE

Ranked - AVERAGE, 100 POINTS

The project represents a general infrastructure improvement with potential for expansion of the tax base once the water storage and distribution system have been improved.

Priority #10: HAS STRONG COMMUNITY SUPPORT

Ranked - BEST, 100 POINTS

The Applicant provided documentation of local residents' involvement and the public meetings. The planning process and past preparation for the current project has resulted in public awareness through news media and public meetings. Documentation of the public involvement include: numerous news articles, citizens surveys, letters of support from local citizens, public notices, meeting minutes and lists of attendees. The application contained letters of support for the project from local organizations and businesses which indicate plans for future economic development.

Total Points on 10 Priorities: 4,376 points out of 5,500 points possible.

PROJECT NO. 7
APPLICANT: EAST MISSOULA SEWER DISTRICT

Type Of Project: **WASTEWATER TREATMENT & COLLECTION SYSTEM**

Funding Sources:

TSEP REQUEST		MATCHING FUNDS	
TSEP Grant	$500,000	DNRC Grant	$ 100,000
		CDBG Grant	$ 400,000
		RECD Grant	$ 1,000,000
		RECD Loan	$ 1,000,000
		SRF Loan	$ 1,500,000
		Local Grant	$ 100,000
Total	$500,000		$ 4,100,000

Project Total: $ 4,600,000

Percent Of Matching Funds: 89%

Project Summary:

Problem - The project includes the construction of a wastewater collection and treatment facilities to serve the East Missoula Sewer District. The majority of the individual residential wastewater systems employ outdated cesspools and drainage pits which provides minimal treatment prior to discharge to local groundwater. Pollution of groundwater in the area has several significant impacts on the Missoula Valley Aquifer which is designated as a sole source aquifer that supplies nearly all the drinking water for the residents of the valley.

East Missoula's wastewater could be contributing to the excessive nutrient level problems of the Clark Fork River due to insufficient treatment prior to reaching the groundwater and possibly the river. Several residential wells in the community have been contaminated which has resulted in boil orders and health advisories for the residents.

1) A high density of outdated individual cesspools and drainage pits are contaminating local drinking water wells resulting in a permanent boil order,
2) existing wastewater systems have the potential to impact the Missoula Valley Aquifer, and the Clark Fork River.

Proposed Solution - The proposed project will eliminate problems with the existing individual systems to protect the water quality in the Hellgate Valley Aquifer and the Missoula Valley Aquifer. The project will construct a wastewater treatment system with a gravity collection service, and dispose treated wastewater in a beneficial manner on agricultural crops.

Overall Ranking On 10 Statutory Priorities (90-6-710 (2) MCA):

The application received 4,251 out of 5,500 points possible, ranking 7th out of 40 applications. (Refer to the

1996 Applications: Ranking Scores For Ten Statutory Priorities Chart in Part 5 of this report.)

DOC Recommended On Financial Assistance (90-6-710 (2) MCA):

DOC recommends funding for this project because:

1) Based on the methodology used in DOC's financial analysis, the Applicant does not appear to have the financial capacity to borrow the funds requested as an alternative to receiving a TSEP grant. This is an affordability problem.
2) Without the TSEP grant, the wastewater rates charged to households would be 142% of the target rate, which indicates an affordability problem for the ratepayers.
3) Thus, DOC recommends $500,000 in TSEP grant funds for this project.

(Refer to the TSEP Financial Gap Analysis/Grant Award Recommendations Chart in Part 5 of this report.)

Recommended Conditions Of This Project:

DOC does not recommend any conditions on the project.

Rationale For Ranking On 10 Statutory Priorities:

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority.

Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Ranked - BEST, 1000 POINTS

The DOC review engineer commented that a permanent boil order has been issued to one of the community water systems. Two other systems have been issued health advisories. The Missoula Valley Water Quality Protection District has evaluated the most densely populated but unsewered developments within the District and prepared a draft report. The report identified East Missoula as the third highest priority area in need of a sewer system. This documentation substantiates the seriousness of the problem in the immediate vicinity of the community.

The EPA has designated the Missoula Valley Aquifer as a sole source aquifer. These actions document the seriousness of the overall problems concerning water quality in the region. The deficiencies within East Missoula's wastewater treatment systems could impact both of these resources.

The Applicant has documented that the project will solve an urgent and serious public health problem. The problems are continual and chronic and affect the entire community. The seriousness of the problems are substantiated by boil orders and health advisories that have been issued by the DEQ. Also documentation from the Missoula City-County Health Department substantiates the seriousness of the problem.

Priority #2: MEETS HEALTH/SAFETY STANDARDS

Ranked - ABOVE AVERAGE, 675 POINTS

There is considerable evidence that the public health and safety is threatened by the existing condition. The project will substantially reduce the threat to the public from contaminated drinking water. The project will enable the community to meet all applicable state and federal health and safety standards.

Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Ranked - BEST, 800 POINTS

The facility plan thoroughly explored the available alternatives. The DOC review engineer concurs with the recommended alternative. The chosen alternative is cost-effective, technically sound, and will provide the community a long-term solution to its wastewater problems.

Priority #4: BENEFITS TO PUBLIC COMPARED TO DOLLAR REQUEST

Ranked - ABOVE AVERAGE, 525 POINTS

This project would result in an above average benefit to the public commensurate with the amount of financial assistance requested. There is a significant health and safety threat that would partly be eliminated.

The amount requested per household ($562) is relatively low compared to other applications and matching funds (90%) are in the highest percentage group compared to other applicants.

Priority #5: REFLECTS GREATER FINANCIAL NEED (COMPETITIVE RANKING INDICATORS)

Ranked - 351 POINTS

The adjusted score is based on a weighted distribution of the total 600 available points for Statutory Priority #5, including indicator #1 (relative economic condition of households) and indicator #2 (target rate analysis).

(Lower ranking indicates greater financial need. For example, ranking 1st indicates a greatest need; ranking 40th indicates least financial need.)

Indicator 1. Household Economic Condition:

MHI	$19,862
% persons at or below LMI	54%
% persons at or below poverty	21%

Household Economic Condition Ranking: 15th in the field of 40 applications.

Analysis for East Missoula's wastewater treatment improvement request shows that the median income of the City's households is average (23rd lowest of 40) among applicants for the 1996-97 TSEP financing cycle and that the relative concentration of persons living at or below the levels of poverty and "low and moderate"income is relatively high (11th and 8th out of the 40 applicants). This combination of factors impacting the economic condition of the households produces a rank of 15th of the 40 applicants.

Indicator 2. Target Rate Analysis:

Existing Monthly Rate	$17.00
Variance From Target Rate	52%
Monthly Rate With No Assistance	$46.59
Variance From Target Rate	142%
Monthly Rate With Full TSEP Assistance	$43.50
Variance From Target Rate	133%

Target Rate Analysis Ranking: 19th in the field of 40 applications.

Overall Competitive Ranking: 22nd in the field of 40 applications = 351 points.

Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Ranked - ABOVE AVERAGE, 375 POINTS

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
TSEP	Grant	500,000	Applied/No Decision
DNRC	Grant	100,000	Applied/No Decision
CDBG	Grant	400,000	Applied/No Decision
RECD (RD)	Grant Loan	1,000,000 1,000,000	No Application
SRF	Loan	1,500,000	No Application
Local	Grant	100,000	Committed
Total		4,600,000	

The application ranked relatively high (3rd out of 22) in a significant ratio of leveraged funds. However, the matching funds (89% match) are not committed. Based on the application, it appears that the TSEP funds would be an important part of the fundings in providing affordable user rates and enabling the District to obtain funds from sources other than TSEP. The District has received grant assistance from DEQ to assist with preparation of the preliminary engineering plans.

Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Ranked - AVERAGE, 200 POINTS

The project represents a general infrastructure improvement and would not directly result in the creation or retention of long-term, full-time jobs.

Priority #8: ALLOWS EXPANSION OF BUSINESS

Ranked - AVERAGE, 150 POINTS

The project represent a general infrastructure improvement and would not directly result in the expansion of a specific business.

Priority #9: MAINTAINS TAX BASE

Ranked - AVERAGE, 100 POINTS

The project represents a general infrastructure improvement that should protect and may even expand the tax base. No appropriate private sector alternatives were identified.

Priority #10: HAS STRONG COMMUNITY SUPPORT

Ranked - ABOVE AVERAGE, 75 POINTS

The Applicant has done an excellent job of getting the public involved through the use of well attended public hearings and newsletters to district residents. Project costs and user charges were discussed at all public hearings, and the facility plan was made available for the public to read. A Missoula newspaper article described the community's consideration of three technical alternatives.

The overall public facilities planning process may have been weaker than other applications because the District's sole responsibility is to provide an adequate sewage treatment system. Homeowners and businesses provide their water by individual wells. The lowest cost alternative, connection to the City of Missoula's sewer system, was apparently not seriously considered because of local opposition to annexation by the City.

Total Points on 10 Priorities: 4,251 points out of 5,500 points possible.

PROJECT NO. 8
APPLICANT: CITY OF GLASGOW

Type Of Project : SANITARY/STORM SEWER COLLECTION IMPROVEMENTS

Funding Sources:

TSEP REQUEST		MATCHING FUNDS	
TSEP Grant	$500,000	CDBG Grant	$ 400,000
		DNRC Grant	$ 100,000
		SRF Loan	$1,048,000
Total	$500,000		$1,548,000

Project Total: $2,048,000

Percent Of Matching Funds: 76%

Project Summary:

Problem - The Glasgow wastewater collection system has some deficiencies as a result of having a combined sanitary and storm sewer which results in overloading the system during storm runoff. The deficiencies include:

1) broken pipes and sinkholes in the ground above the breaks,
2) raw sewage being pumped directly into the Milk River because the lift station cannot handle the volume and the emergency overflow pump starts automatically,
3) raw sewage overflowing from manholes, and
4) raw sewage backing up into basements.

Proposed Solution - The proposed project would involve constructing a separate storm drain system. Approximately 16,700 feet of various sized storm drain pipes would be installed, along with 70 new manholes.

Overall Ranking On 10 Statutory Priorities (90-6-710 (2) MCA):

The application received 4,132 points out of 5,500 points possible, ranking 8th out of 40 applications. (Refer to the 1996 Applications: Ranking Scores For Ten Statutory Priorities Chart in Part 5 of this report.)

DOC Recommendations On Financial Assistance (90-6-710 (2) MCA):

DOC recommends partial funding for this project because:

1) Based on the methodology used in DOC's financial analysis, the Applicant appears to have some of the financial capacity to borrow the funds requested (as an alternative to receiving a TSEP grant), but not enough to substitute for the entire TSEP grant amount.
2) Without the TSEP grant, the combined water and wastewater rates charged to households would be 86% of the target rate.

3) Thus, DOC recommends reducing the TSEP grant funds for this project from $500,000 to $441,443 based on the Financial Gap Analysis which indicated that the Applicant has $58,557 in additional debt capacity after the $1,500,000 that DOC allowed as a "cushion".
4) However, since DNRC does not expect to award the Applicant a grant, and an additional $100,000 would have to be borrowed, the Applicant would no longer have any additional debt capacity. As a result, DOC recommends that the Applicant be awarded the entire $500,000 if the Applicant is not funded by the DNRC Renewable Resource Grant and Loan Program.

(Refer to the TSEP Financial Gap Analysis/Grant Award Recommendations Chart in Part 5 of this report.)

DOC Recommended Conditions On The Project:

No conditions are being recommended for this project.

Rationale For Ranking On 10 Statutory Priorities:

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority.

Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Ranked - BEST, 1000 POINTS

There are serious deficiencies related to the combined sanitary and storm sewer system. The deficiencies are existing and the associated problems occur several times a year. The deficiency results in the community and downstream users possibly being exposed to a serious public health threat from raw sewage, substantial property loss due to raw sewage backing up into residences and commercial users, and a violation of the City's discharge permit. The City has been told to correct the problem or an administration order will be issued.

Priority #2: MEETS HEALTH/SAFETY STANDARDS

Ranked - ABOVE AVERAGE, 675 POINTS

Even though the situation is a clear violation of health standards and the deficiencies represent a significant health threat, there have been no direct state or federal directives to correct the problems.

Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Ranked - ABOVE AVERAGE, 600 POINTS

Even though the technical design for the project was determined to be the appropriate and most cost effective option, the costs assumptions were not provided for the alternative options leaving some unanswered questions concerning analysis.

Priority #4: BENEFITS TO PUBLIC COMPARED TO DOLLAR REQUEST

Ranked - BEST, 700 POINTS

This project would result in a high benefit to the public commensurate with the amount of financial assistance requested. There is a serious health and safety threat that was ranked as "Best" and the selected approach should resolve the problems.

Matching funds (76%) are in the second highest percentage group and the amount per household ($878) is relatively low compared to other applications. In addition, the City has made substantial efforts toward dealing with their public facility problems through planning. It appears that the City has had adequate operational and maintenance budgets and practices.

Priority #5: REFLECTS GREATER FINANCIAL NEED (COMPETITIVE RANKING INDICATORS)

Ranked - 232 POINTS

The adjusted score is based on a weighted distribution of the total 600 available points for Statutory Priority #5, including indicator #1 (relative economic condition of households) and indicator #2 (target rate analysis).

(Lower ranking indicates greater financial need. For example, ranking 1st indicates a greatest need; ranking 40th indicates least financial need.)

Indicator 1. Household Economic Condition:

MHI	$20,766
% persons at or below LMI	39%
% persons at or below poverty	16.2%

Household Economic Condition Ranking: 26th in the field of 40 applications.

Analysis for Glasgow's wastewater collection system improvement request shows that the median income of the City's households is relatively average (25th lowest of 40) among applicants for the 1996-97 TSEP financing cycle and that the relative concentration of persons living at or below the levels of poverty and "low and moderate" income is average (19th and 25th of the 40 applicants). This combination of factors impacting the economic condition of the households produces a rank of 26th of the 40 applicants.

Indicator 2. Target Rate Analysis:

Existing Monthly Rate	$23.14
Variance From Target Rate	68%
Monthly Rate With No Assistance	$29.59
Variance From Target Rate	86%
Monthly Rate With Full TSEP Assistance	$27.40
Variance From Target Rate	80%

Target Rate Analysis Ranking: 38th in the field of 40 applications.

Overall Competitive Ranking: 40th in the field of 40 applications = 232 points

Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Ranked - ABOVE AVERAGE, 375 POINTS

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
TSEP	Grant	$500,000	Applied/No Decision
DNRC	Grant	$100,000	Applied/No Decision
CDBG	Grant	$400,000	Applied/No Decision
SRF	Loan	$1,048,000	Applied/No Decision
Total		$2,048,000	

The City's matching funds (76% match) are in the second highest percentage group compared to other applicants. The Applicant did not discuss the potential of funding from RD and matching funds are not committed.

Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Ranked - AVERAGE, 200 POINTS

The project represents a general infrastructure improvement and would not directly result in the creation or retention of long-term, full-time jobs.

Priority #8: ALLOWS EXPANSION OF BUSINESS

Ranked - AVERAGE, 150 POINTS

The project represents a general infrastructure improvement and would not directly result in the expansion of a specific business.

Priority #9: MAINTAINS TAX BASE

Ranked - AVERAGE, 100 POINTS

The project represents a general infrastructure improvement that should protect and may even expand the tax base. No appropriate private sector alternatives were identified.

Priority #10: HAS STRONG COMMUNITY SUPPORT

Ranked - BEST, 100 POINTS

The public was well informed of the project and the associated costs including anticipated increases in user charges. A needs assessment survey was conducted, and the City has a CIP which ranks this project as the number one priority.

Total Points on 10 Priorities: 4,132 points out of 5,500 points possible.

PROJECT NO. 9
APPLICANT: CITY OF HELENA

Type Of Project: **WASTEWATER TREATMENT PLANT IMPROVEMENTS**

Funding Sources:

TSEP REQUEST		MATCHING FUNDS	
TSEP Grant	$500,000	City Reserves	$766,623
		City Cash	$654,744
		SRF Loan	$7,000,000
Total	$500,000		$8,421,367

Project Total: $8,921,367

Percent Of Matching Funds: 94%

Project Summary:

Problem - The City of Helena is proposing improvements to the existing wastewater treatment facility. Six study areas bordering the existing service area will be examined for current and future development, population and wastewater service demands.

1) The City is not able to meet chronic toxicity requirements which has been identified to be correlated to effluent ammonia concentration.
2) The failing AFB tower does not provide adequate treatment as designed and needs to be replaced with a nitrification process that will enable the City to meet toxicity requirements.
3) Existing secondary treatment limitations and problems identified during plant inspections include instrumentation and hydraulic deficiencies, and sludge disposal.

Proposed Solution - The applicant proposes to upgrade the wastewater treatment plant for the purpose of meeting MPDES toxicity permit requirements of effluent discharge to the Prickly Pear Creek. Treatment of the AFB tower will be replaced with a nitrification process which will allow the City to adequately treat ammonia toxicity and other toxicant. The nitrification process will enable the City to pass chronic WET test requirements by the Montana Pollutant Discharge Elimination System (MPDES) discharge permit.

Overall Ranking On 10 Statutory Priorities (90-6-710 (2) MCA):

The application received 3,986 out of 5,500 points possible, ranking 9th out of 40 applications. (Refer to the 1996 Applications: Ranking Scores For Ten Statutory Priorities Chart in Part 5 of this report.)

DOC Recommendations On Financial Assistance (90-6-710 (2) MCA):

DOC recommends funding for this project because:

1) Based on the methodology used in DOC's financial analysis, the Applicant does not appear to have the financial capacity to borrow the funds requested as an alternative to receiving a TSEP grant. This is an affordability problem.
2) Without the TSEP grant, the combined water and wastewater rates charged to households would be 124% of the target rate, which indicates an affordability problem for the ratepayers.
3) DOC recommends $500,000 in TSEP grant funds for this project.

(Refer to the TSEP Financial Gap Analysis/Grant Award Recommendations Chart in Part 5 of this report.)

Recommended Conditions For This Project:

DOC does not recommend any conditions for the project.

Rationale For Ranking On 10 Statutory Priorities:

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority.

Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Ranked - BEST, 1000

1) The wastewater discharge of the Helena treatment facility fails to meet discharge permit standards for ammonia toxicity and possibly non-ammonia toxicity levels. MDEQ has not issued a non-compliance order against the City of Helena for failure to meet requirements of the MPDES discharge permit. An order was to be issued in January 1996. The order was not issued because the City is making progress to solve the problem.

2) The Fish Wildlife & Parks report documented ammonia toxicity levels. The engineer's study documented ammonia and non-ammonia toxicity through WET testing.

3) The ABF tower is not structurally sound which may present a safety hazard to the facility workers.

Priority #2: MEETS HEALTH/SAFETY STANDARDS

Ranked - BEST, 900 POINTS

There is clear documentation the conditions of the wastewater treatment facility violates the MPDES discharge permit requirements which can pose serious environmental, health and safety threats. Failure to comply with discharge permit requirements is a violation of the Clean Water Act.

Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Ranked - AVERAGE, 400 POINTS

The engineering report provided detailed information on current and projected population of the proposed service area and design capacity carefully analyzed. The existing wastewater flows and loads, identification and assessment of system components, and infiltration/inflow analysis were reviewed in detail. A cost benefit analysis was completed to examine general options to treat effluent by various technologies.

Details of the new treatment process are general in scope and include secondary treatment and nitrification. The treatment selected should provide a complete and long term solution. Due to the stage of the project, no detailed presentation of the chosen alternative, correlated cost estimates, and operation and maintenance costs were submitted.

Priority #4: BENEFITS TO PUBLIC COMPARED TO DOLLAR REQUEST

Ranked - ABOVE AVERAGE, 525 POINTS

The project will result in an above average benefit to the public commensurate with the amount of financial assistance requested. The amount of financial assistance requested per household ($57) is very low compared to other applications. Matching funds are in the highest percentage group compared to other applicants. The Applicant has documented the serious deficiency that creates a high health threat which is likely to result in serious environmental pollution. The Applicant has made substantial efforts towards capital improvement planning and by increasing fees.

Priority #5: REFLECTS GREATER FINANCIAL NEED (COMPETITIVE RANKING INDICATORS)

Ranked - 286 POINTS

The adjusted score is based on a weighted distribution of the total 600 available points for Statutory Priority #5, including indicator #1 (relative economic condition of households) and indicator #2 (target rate analysis).

(Lower ranking indicates greater financial need. For example, ranking 1st indicates a greatest need; ranking 40th indicates least financial need.)

Indicator 1. Household Economic Condition:

MHI	$25,462
% persons at or below LMI	35 %
% persons at or below poverty	11.8%

Household Economic Condition Ranking: 36th in the field of 40 applications.

Analysis for Helena's wastewater treatment improvement request shows that the median income of the City's households is relatively high (37th lowest of 40) among applicants for the 1996-97 TSEP financing cycle and that the relative concentration of persons living at or below the levels of poverty and "low and

moderate"income is relatively low (32nd and 34th out of 40 applicants). This combination of factors impacting the economic condition of the households produces a rank of 36th of the 40 applicants.

Indicator 2. Target Rate Analysis:

Existing Monthly Rate	$35.39
Variance From Target Rate	84%
Monthly Rate With No Assistance	$51.94
Variance From Target Rate	124%
Monthly Rate With TSEP Assistance	$51.60
Variance From Target Rate	123%

Target Rate Analysis Ranking: 19th in the field of 40 applications.

Overall Competitive Ranking: 34th in the field of 40 applications = 286 points.

Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Ranked - ABOVE AVERAGE, 375 POINTS

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
TSEP	Grant	$500,000	Applied/No Decision
SRF	Loan	$7,000,000	Applied/No Decision
City	Grant	$1,421,367	Committed
Total		$8,921,367	

The Applicant's matching funds (76% match) are in the highest percentage group relative to other applications. The matching funds are committed by the City, but SRF funding remains uncommitted.

Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Ranked - AVERAGE, 200 POINTS

The project represents a general infrastructure improvement and would not directly result in the creation or retention of any long-term, full-time jobs.

Priority #8: ALLOWS EXPANSION OF BUSINESS

Ranked - AVERAGE, 150 POINTS

The project represents a general infrastructure improvement and would not directly result in the expansion of a specific business.

Priority #9: MAINTAINS TAX BASE

Ranked - AVERAGE, 100 POINTS

The project represents a general infrastructure improvement that will likely help maintain the tax base. No appropriate private sector alternatives were identified.

Priority #10: HAS STRONG COMMUNITY SUPPORT

Ranked - AVERAGE, 50 POINTS

There have been numerous meetings and the public has been informed of the project. However, due to the state in the planning process, the specific technical alternative that will be chosen and correlating cost estimates have not been identified.

Total Points on 10 Priorities: 3,986 points out of 5,500 points possible.

PROJECT NO. 10
APPLICANT: TOWN OF RICHEY

Type Of Project: WATER SYSTEM IMPROVEMENTS

Funding Sources:

TSEP REQUEST		MATCHING FUNDS	
TSEP Grant	$264,340	CDBG Grant	$272,760
Total	$264,340		$272,760

Project Total: $537,100

Percent Of Matching Funds: 51%

Project Summary:

Problem - The Town of Richey's water system has some deficiencies, including:

1) drinking water that has very high levels of fluoride (which may cause mottling of the teeth and may cause a serious bone disorder); and
2) drinking water that has a very high sodium content (which may cause health impacts to certain members of the public).

Proposed Solution - The proposed water system improvements include the construction of a reverse osmosis water treatment plant, rehabilitation of the existing water storage tank, and a pilot study to fine tune treatment plant design requirements.

Overall Ranking On 10 Statutory Priorities (90-6-710 (2) MCA):

The application received 3,954 out of 5,500 points possible, ranking 10th out of 40 applications. (See the 1996 Applications: Ranking Scores For Ten Statutory Priorities Chart in Part 5 of this report.)

DOC Recommendations On Financial Assistance (90-6-710 (2) MCA):

DOC recommends funding for this project because:

1) Based on the methodology used in DOC's financial analysis the Applicant does not appear to have the financial capacity to borrow the funds requested as an alternative to receiving a TSEP grant. This is an affordability problem.
2) Without the TSEP grant, the combined water and wastewater rates charged to households would be 226% of the target rate, which indicates an extreme affordability problem for the ratepayers.
3) Thus, DOC recommends $264,340 in TSEP grant funds for this project.

(Refer to the TSEP Financial Gap Analysis/Grant Award Recommendations Chart in Part 5 of this report.)

DOC Recommended Conditions On The Project:

No conditions are being recommended on this project.

Rationale For Ranking On 10 Statutory Priorities:

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority.

Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Ranked - BEST, 1000 POINTS

The very high levels of fluoride in the Town's drinking water can cause dental fluorosis (mottling of the permanent teeth) and skeletal fluorosis (a serious bone disorder). The entire community is at risk from this problem which is continual and chronic. The recommended level of fluoride in drinking water is 2 milligrams per liter (mg/l), and 4 mg/l is the "action level" established by EPA. The Town's documented fluoride level is 5.05 mg/l (this is over 25% above the EPA action level and more than twice the recommended maximum level for fluoride in drinking water). The DEQ has initiated enforcement actions against the Town so that improvements to the system will be made which will comply with the EPA and the State's water quality standards.

In addition, the Town's drinking water has a very high sodium content which may cause health impacts to certain members of the public. Although sodium is not a regulated substance in drinking water the high levels of sodium are a health concern. The DOC review engineer, in consultation with the DEQ, stated that one can assume that the health of the Town's water users has been adversely affected because of the current elevated levels of fluoride and sodium. The application does not document that serious illnesses have already occurred.

Priority #2: MEETS HEALTH/SAFETY STANDARDS

Ranked - BEST, 900 POINTS

The DEQ has initiated enforcement actions against the Town in order that improvements to the system will be made which will comply with the EPA and the State's water quality standards. The water quality standards being violated do represent a significant threat to public health. The proposed improvements to the water system will enable the Town to meet state and federal health and safety standards.

Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Ranked - AVERAGE, 400 POINTS

The improvements to the system will thoroughly address the problems and provide a long-term solution. The proposed construction of a reverse osmosis water treatment plant will reduce the amount of fluoride and sodium in the water to acceptable levels. The Applicant's preliminary engineering study identified several alternatives and recommended the alternative favored by the regulatory agencies. However, costs were provided for only the recommended alternative, and it was not possible to determine if the least cost alternative was selected. Additional documentation on cost effectiveness can be provided during the final design stage. Water meters currently are part of the Town's water system.

Priority #4: BENEFITS TO PUBLIC COMPARED TO DOLLAR REQUEST

Ranked - ABOVE AVERAGE, 525 POINTS

The project results in an above average public benefit to the public commensurate with the amount of financial assistance requested. The urgency of the health threat was ranked "best" (see TSEP Statutory Priorities #1 and #2). The project has a $2,592 TSEP cost per household, which is moderate compared to other TSEP Applicants. Matching funds (51%) are in the third highest percentage group out of a total of four groups. There were limited planning efforts. The Town has an overall economic development plan but does not have an overall Capital Improvements Plan.

Priority #5: REFLECTS GREATER FINANCIAL NEED (COMPETITIVE RANKING INDICATORS)

Ranked - 379 POINTS

The adjusted score, is based on a weighted distribution of the total 600 available points for Statutory Priority #5, including Indicator #1 (relative economic condition of households) and Indicator #2 (target rate analysis).

(Lower ranking indicates greater financial need. For example, ranking 1st indicates a greatest need; ranking 40th indicates least financial need.)

Indicator 1. Household Economic Condition:

MHI	$13,333
% persons at or below LMI	49%
% persons at or below poverty	19.20%

Household Economic Condition Ranking: 6th in the field of 40 applications.

Analysis for Richey's water treatment plant request shows that the median income of the Town's households is $13,333 (3rd lowest of 40) among applicants for the 1996-97 TSEP financing cycle and that the relative concentration of persons living at or below the levels of poverty and "low and moderate"income is 13th and 14th. This combination of factors impacting the economic condition of the households produces a rank of 6th of the 40 applicants.

Indicator 2. Target Rate Analysis:

Existing Monthly Rate	$11.65
Variance From Target Rate	53%
Monthly Rate With No Assistance	$49.66
Variance From Target Rate	226%
Monthly Rate With Full TSEP Assistance	$28.31
Variance From Target Rate	129%

Target Rate Analysis Ranking: 19th in the field of 40 applications.

Overall Competitive Ranking: 18th in the field of 40 applications = 379.

Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Ranked - AVERAGE, 250 POINTS

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
TSEP	Grant	$264,340	Applied/No Decision
CDBG	Grant	$272,760	Not Committed. Will Submit Application in 1997
Total		$537,100	

The Applicant would be providing 51% matching funds. This places the Applicant in the third highest percentage group out of a total of four groups. The matching funds are not committed. The Applicant did not discuss other potential funding options such as RD or DNRC for the project.

Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Ranked - AVERAGE, 200 POINTS

The project represents a general infrastructure improvement and, would not directly result in the expansion of specific business. The Applicant stated that some indirect jobs could be created or retained. There were no letters from businesses or other clear documentation to substantiate this claim. Also, under Statutory Priority #8 which is very closely related to Priority #7, the Applicant said "Due to its nature, the proposed project will not have a direct impact on the expansion of a business." It appears no new jobs would be directly created by the project.

Priority #8: ALLOWS EXPANSION OF BUSINESS

Ranked - **AVERAGE, 150 POINTS**

The project represents a general infrastructure improvement and would not directly result in the expansion of a specific business. The Applicant stated: "Due to its nature, the proposed project will not have a direct impact on the expansion of a business."

Priority #9: MAINTAINS TAX BASE

Ranked - **AVERAGE, 100 POINTS**

The project represents a general infrastructure improvement that should maintain and may even expand the tax base. No appropriate private sector alternatives were identified.

Priority #10: HAS STRONG COMMUNITY SUPPORT

Ranked - **AVERAGE, 50 POINTS**

The Applicant held a public hearing. Other meetings regarding the project were held. Town representatives tacked up posters in six locations. Minutes were provided for each meeting. The Town does not have an overall Capital Improvements Plan.

Total Points on 10 Priorities: 3,954 points out of 5,500 points possible.

PROJECT NO. 11
APPLICANT: HILL COUNTY/BOX ELDER WATER DISTRICT

Type Of Project: WASTEWATER TREATMENT SYSTEM

Funding Sources:

TSEP REQUEST		MATCHING FUNDS	
TSEP Grant	$462,000	CDBG Grant	$285,000
		EPA Grant	$150,000
		District Funds	$ 32,000
Total	$462,000		$467,000

Project Total: $929,000

Percent Of Matching Funds: 50%

Project Summary:

Problem - The project proposes to construct a sewage lagoon and wetlands treatment facility for the Box Elder Water and Sewer District. According to the Montana Department of Environmental Quality, raw sewage is entering the existing cell and seeping into the ground or ponding without adequate treatment.

1) Wastewater seepage enters the ground water just three to four feet below the bottom of the lagoon pond.
2) The area is not fenced to avoid public access which represents a significant threat to public health and safety.

Proposed Solution - The project involves construction of a wastewater treatment facility with facultative lagoons and wetlands treatment.

Overall Ranking On 10 Statutory Priorities (90-6-710 (2) MCA):

The application received 3,869 out of 5,500 points possible, ranking 11th out of 40 applications. (Refer to the 1996 Applications: Ranking Scores For Ten Statutory Priorities Chart in Part 5 of this report.)

DOC Recommendations On Financial Assistance (90-6-710 (2) MCA):

DOC recommends funding for this project because:

1) Based on the methodology used in DOC's financial analysis, the Applicant does not appear to have the financial capacity to borrow the funds requested as an alternative to receiving a TSEP grant. This is an affordability problem.
2) Without the TSEP grant, the wastewater rates charged to households would be 637% of the target rate, which indicates an extreme affordability problem for the ratepayers.
3) DOC recommends $462,000 in TSEP grant funds for this project.

(Refer to the TSEP Financial Gap Analysis/Grant Award Recommendations Chart in Part 5 of this report.)

Recommended Conditions For This Project:

DOC does not recommend any conditions for the project.

Rationale For Ranking 10 Statutory Priorities:

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority.

Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Ranked - BEST, 1000 POINTS

According to the DEQ, raw sewage is seeping into the ground within the existing lagoon cell and ponding without adequate treatment. The preliminary engineering report identified potential health hazards posed to the area residents in addition to substantial degradation of the natural environment. The existing problem has occurred for several years. There is no documentation of state or federal directives to correct the deficiency.

Priority #2: MEETS HEALTH/SAFETY STANDARDS

Ranked - ABOVE AVERAGE, 675 POINTS

Documentation concerning the magnitude of the problem is lacking in the application. It cannot be determined from the application whether the existing facility violates a state or federal health or safety standard. However, Paul Lavigne, DEQ, stated that the existing wastewater pond leakage problem violates state statute which allows only 6 inches per year leakage from wastewater treatment ponds. The lagoon site is not fenced from public access and represents a significant threat to public health and safety.

Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Ranked - ABOVE AVERAGE, 600 POINTS

The proposed construction of a wastewater treatment facility is a reasonably complete and long-term solution that will ensure compliance with health and safety standards for area residents.

Priority #4: BENEFITS TO PUBLIC COMPARED TO DOLLAR REQUEST

Ranked - AVERAGE, 350 POINTS

This project will result in a significant benefit to the public by eliminating a source of environmental pollution and potential public health threat. The amount of TSEP funds requested is equal to $10,266 per household. This

is more than two times the limit of TSEP funds proportioned per household. The Applicant did not provide justification for exceeding the $5,000 limit per household. If TSEP funding is not awarded, the project would be unaffordable for the District residents and would, likely result in the loss of CDBG funding for the wastewater treatment project.

Priority #5: REFLECTS GREATER FINANCIAL NEED (COMPETITIVE RANKING INDICATORS)

Ranked - 494 POINTS

The adjusted score is based on a weighted distribution of the total 600 available points for Statutory Priority #5, including indicator #1 (relative economic condition of households) and indicator #2 (target rate analysis).

(Lower ranking indicates greater financial need. For example, ranking 1st indicates a greatest need; ranking 40th indicates least financial need.)

Indicator 1. Household Economic Condition:

MHI	$18,859
% persons at or below LMI	68 %
% persons at or below poverty	44.4%

Household Economic Condition Ranking: 2nd in the field of 40 applications.

Analysis for Box Elder's wastewater treatment request shows that the median income of the City's households is relatively low (15th lowest of 40) among applicants for the 1996-97 TSEP financing cycle and that the relative concentration of persons living at or below the levels of poverty and "low and moderate"income is highest (1st and 2nd out of 40 applicants). This combination of factors impacting the economic condition of the households produces a rank of 2nd of the 40 applicants.

Indicator 2. Target Rate Analysis:

Existing Monthly Rate	$20.00
Variance From Target Rate	177%
Monthly Rate With No Assistance	$72.13
Variance From Target Rate	637%
Monthly Rate With Full TSEP Assistance	$20.00
Variance From Target Rate	177%

Target Rate Analysis Ranking: 5th in the field of 40 applications.

Overall Competitive Ranking: 5th in the field of 40 applications = 494 points.

Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Ranked - AVERAGE, 250 POINTS

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
TSEP	Grant	$462,000	Applied/No Decision
CDBG	Grant	$285,000	Applied/No Decision
EPA	Grant	$150,000	Not committed
District	Grant	$ 32,000	Committed
Total		$929,000	

TSEP grant funds are vital to making this project affordable for community residents as well as to maintain the commitment of CDBG funds for this project. The County will lose the CDBG funding without TSEP funds. This project will need a high amount of grant funds to make it affordable for local residents because of the high cost to complete this project relative to the low number of households in the area. The applicant's matching funds (50% match) are in the third highest percentage group compared with other applicants.

Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Ranked - AVERAGE, 200 POINTS

The project represents a general infrastructure improvement and would not directly result in the creation or retention of any long-term, full-time jobs.

Priority #8: ALLOWS EXPANSION OF BUSINESS

Ranked - AVERAGE, 150 POINTS

The project represents a general infrastructure improvement and would not directly result in the expansion of a specific business.

Priority #9: MAINTAINS TAX BASE

Ranked - AVERAGE, 100 POINTS

The project represents a general infrastructure improvement that should protect and may even expand the tax base.. No appropriate private sector alternatives were identified.

Priority #10: HAS STRONG COMMUNITY SUPPORT

Ranked - AVERAGE, 50 POINTS

The Applicant held public meetings on the project to inform the public of the proposed project. However, the Application has not documented whether the affected citizens were informed of the estimated cost per household of user charges. Since there were a minimal number of Box Elder residents at the public meeting, it is not clear whether the affected residents were are in support of the project or informed of the project costs.

Total Points on 10 Priorities: 3,869 points out of 5,500 points possible.

PROJECT NO. 12
APPLICANT: TOWN OF VALIER

Type Of Project: WASTEWATER TREATMENT FACILITY IMPROVEMENTS

Funding Sources:

TSEP REQUEST		MATCHING FUNDS	
TSEP Grant	$500,000	CDBG Grant	$400,000
		DNRC Grant	$100,000
		SRF Loan	$200,000
Total	$500,000		$700,000

Project Total: $1,200,000

Percent Of Matching Funds: 58%

Project Summary:

Problem - The Valier wastewater treatment facility has several deficiencies, including:

1) accumulation of sludge in the treatment lagoon,
2) porous soils in the bed of the treatment lagoon allowing wastewater to percolate too rapidly,
3) failing lagoon embankments,
4) a single cell treatment lagoon system which does not allow continued wastewater treatment while the lagoon is dewatered for maintenance, and
5). storm water infiltration increasing the volume of wastewater requiring treatment.

Proposed Solution - The proposed project would involve removing sludge from the lagoon, constructing three cells within the existing single cell, adding aeration to the lagoons, and lining the three new aerated cells with an impermeable liner.

Overall Ranking On 10 Statutory Priorities (90-6-710 (2) MCA):

The application received 3,777 points out of 5,500 points possible, ranking 12th out of 40 applications. (Refer to the 1996 Applications: Ranking Scores For Ten Statutory Priorities Chart in Part 5 of this report.)

DOC Recommendations On Financial Assistance (90-6-710 (2) MCA):

DOC recommends funding for this project because:

1) Based on the methodology used in DOC's financial analysis, the Applicant does not appear to have the financial capacity to borrow the funds requested as an alternative to receiving a TSEP grant. This is an affordability problem.

2) Without the TSEP grant, the combined water and wastewater rates charged to households would be 150% of the target rate, which indicates an affordability problem for the ratepayers.
3) Thus, DOC recommends $500,000 in TSEP grant funds for this project.

(Refer to the TSEP Financial Gap Analysis/Grant Award Recommendations Chart in Part 5 of this report.)

DOC Recommended Conditions On The Project:

No conditions are being recommended for this project.

Rationale For Ranking On 10 Statutory Priorities:

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority.

Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Ranked - BEST, 1000 POINTS

There are serious deficiencies in the wastewater system that have the potential to be a serious public health and safety threat. The deficiencies are existing and chronic, and the entire community is affected. There is documentation from MDEQ that these are serious deficiencies and they must be corrected.

Priority #2: MEETS HEALTH/SAFETY STANDARDS

Ranked - ABOVE AVERAGE, 675 POINTS

There are clearly state public health standards being violated and the MDEQ has notified the Town to correct the deficiencies or a directive will be issued. While the proposed project should enable the Town to meet state health standards for discharge from the treatment facility, because infiltration and inflow have not been adequately addressed there is a question regarding the size of needed facilities.

Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Ranked - AVERAGE, 400 POINTS

While the selected alternative appears to be feasible and adequate, there were several areas of the preliminary engineering analysis that were not adequately addressed. Overall, the DOC review engineer agrees with most of the analysis and the alternative selected. The proposed project should enable the Town to meet state health standards for discharge from the treatment facility, but because infiltration and inflow have not been adequately addressed there is a question on what size of actual facilities are needed. The costs estimates appeared accurate and conservative, however issues regarding the actual design flow rate could significantly impact the size of the

proposed facilities and subsequently the cost. In addition, sludge quality data was not included in the facility plan which could impact the cost of the project depending on how it is disposed of. The information related to pond sizing and aeration design was also limited making it difficult to evaluate the proposed cost estimates.

Priority #4: BENEFITS TO PUBLIC COMPARED TO DOLLAR REQUEST

Ranked - ABOVE AVERAGE, 525 POINTS

This project would result in an above average benefit to the public commensurate with the amount of financial assistance requested. There are several deficiencies that create a serious public health and safety threat, and MDEQ has notified the town that unless they correct the deficiencies MDEQ may issue a directive to do so. However there are concerns about the design of the proposed project and its cost, although the project should correct the deficiencies.

The amount requested per household ($2,206) is relatively high compared to other applications and matching funds (58%) are only in the third highest percentage group. While the Town has adopted a CIP, the Town has also indicated that it needs to adopt better operating and maintenance practices.

Priority #5: REFLECTS GREATER FINANCIAL NEED (COMPETITIVE RANKING INDICATORS)

Ranked - 302 POINTS

The adjusted score is based on a weighted distribution of the total 600 available points for Statutory Priority #5, including indicator #1 (relative economic condition of households) and indicator #2 (target rate analysis).

(Lower ranking indicates greater financial need. For example, ranking 1st indicates a greatest need; ranking 40th indicates least financial need.)

Indicator 1. Household Economic Condition:

MHI	$22,062
% persons at or below LMI	34%
% persons at or below poverty	11.2%

Household Economic Condition Ranking: 32nd in the field of 40 applications.

Analysis for Valier's wastewater treatment system improvement request shows that the median income of the City's households is average (28th lowest of 40) among applicants for the 1996-97 TSEP financing cycle and that the relative concentration of persons living at or below the levels of poverty and "low and moderate" income is low (34th and 35th of the 40 applicants). This combination of factors impacting the economic condition of the households produces a rank of 32nd of the 40 applicants.

Indicator 2. Target Rate Analysis:

Existing Monthly Rate	$25.17
Variance From Target Rate	69%
Monthly Rate With No Assistance	$54.56

Variance From Target Rate	150%
Monthly Rate With Full TSEP Assistance	$38.90
Variance From Target Rate	107%

Target Rate Analysis Ranking: 19th in the field of 40 applications.

Overall Competitive Ranking: 33rd in the field of 40 applications = 302 points.

Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Ranked - ABOVE AVERAGE, 375 POINTS

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
TSEP	Grant	$500,000	Applied/No Decision
CDBG	Grant	$400,000	Applied/No Decision
DNRC	Grant	$100,000	Applied/No Decision
SRF	Loan	$200,000	Applied/No Decision
Total		$1,200,000	

The matching funds (58% match) are in the second highest percentage group compared to other applications. No funds are yet committed. Most of the funding sources have been applied for and RD was discussed and listed as a potential source of funding.

Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Ranked - AVERAGE, 200 POINTS

The project represents a general infrastructure improvement and would not directly result in the creation or retention of long-term, full-time jobs.

Priority #8: ALLOWS EXPANSION OF BUSINESS

Ranked - AVERAGE, 150 POINTS

The project represents a general infrastructure improvement and would not directly result in the expansion of a specific business.

Priority #9: MAINTAINS TAX BASE

Ranked - AVERAGE, 100 POINTS

The project represents a general infrastructure improvement that should protect and may even expand the tax base. No appropriate private sector alternatives were identified.

Priority #10: HAS STRONG COMMUNITY SUPPORT

Ranked - AVERAGE, 50 POINTS

While the Town held a public hearing, there was no indication that the public was informed of any increases in rates associated with the project. The Town adopted a CIP in May, 1996.

Total Points on 10 Priorities: 3,777 points out of 5,500 points possible.

PROJECT NO. 13
APPLICANT: CITY OF ROUNDUP

Type Of Project: WASTEWATER SYSTEM IMPROVEMENTS

Funding Sources:

TSEP REQUEST		MATCHING FUNDS	
TSEP Grant	$500,000	CDBG Grant	$ 400,000
		DNRC Grant	$ 100,000
		Bonds	$1,391,187
Total	$500,000		$1,891,187

Project Total: $2,391,187

Percent Of Matching Funds: 79%

Project Summary:

Problem - The City of Roundup is presently spray irrigating adjacent farm land from the present lagoons to control hydraulic overloading. The lagoons are being hydraulically overloaded and are in danger of overflowing which could breach the lagoon dikes. Other deficiencies include:

1) The lagoons are no longer large enough to dispose of the effluent by evaporation. A dike failure would cause lagoon contents to enter the adjacent Musselshell River which would be detrimental to the water quality of the Musselshell River, adjacent landowners, and communities downstream.
2) Ponding of wastewater is occurring at the surface outside of the lagoon dikes.
3) Other means of disposal must be used before damage to the cropland occurs. The clay particles in the soil can become impermeable due to the high sodium content in the wastewater which can harm the farmland and make it useless for disposal.

Proposed Solution - The City proposes to construct a new aerated wastewater treatment facility to eliminate the recent hydraulic overloading of the present lagoon. The project will replace the current deteriorated line and install a new line that meets State slope requirements for proper operation.

Overall Ranking On 10 Statutory Priorities (90-6-710 (2) MCA):

The application received 3,736 out of 5,500 points possible, ranking 13th out of 40 applications. (Refer to the 1996 Applications: Ranking Scores For Ten Statutory Priorities Chart in Part 5 of this report.)

DOC Recommendations On Financial Assistance (90-6-710 (2) MCA):

DOC recommends funding for this project because:

1) Based on the methodology used in DOC's financial analysis, the Applicant does not appear to have the financial capacity to borrow the funds requested as an alternative to receiving a TSEP grant. This is an

affordability problem.

2) Without the TSEP grant, the combined water and wastewater rates charged to households would be 132% of the target rate, which indicates an affordability problem.

3) DOC recommends $500,000 in TSEP grant funds for this project.

(Refer to the TSEP Financial Gap Analysis/Grant Award Recommendations Chart in Part 5 of this report.)

Recommended Conditions For This Project:

The Applicant will address the impact of the Non-Degradation Rule and the overall cost of the project. Provide detailed costs estimates that allow a thorough evaluation of the accurate project costs.

Rationale For Ranking On 10 Statutory Priorities:

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority.

Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Ranked - BEST, 1000 POINTS

The application documented the serious threats for environmental pollution, and public health and safety issues if the facility is not renovated. The lack of adequate sewage treatment affects users of the entire community. The existing wastewater facility limits any future development of new residential housing or commercial facilities.

The City's lagoons are leaking and potentially contaminating the groundwater that lies within 2 feet of the lagoon floor. Ponding of wastewater is occurring at the surface outside the lagoon dikes. On an emergency basis the MDEQ has allowed the City to dispose of the effluent by spray irrigation to prevent the lagoons from overflowing for the past two years. Other means of disposal and treatment must be utilized before damage to the irrigated cropland occurs. If the soil becomes impermeable, sewage effluent may pond on the surface of the ground or runoff into the adjacent Musselshell River. Contamination of the groundwater by leaking sewage could potentially affect drinking water wells in the area although no specific documentation was provided regarding this matter. The ponds represent a significant threat to human health and the environment.

Priority #2: MEETS HEALTH/SAFETY STANDARDS

Ranked - BEST, 900 POINTS

The City is not currently under any court order or directive to correct the hydraulic overload or the leakage from the lagoon. However, if the threat of the dikes become critical, the DEQ will issue an administrative order if the progress to eliminate the threat of overloading is not adequate by next year.
Improvements to the City's existing wastewater lagoon should meet health and safety standards. However, the application did not discuss the impact of the State's Non-Degradation Policy. Additional improvement may be needed for the proposed project to maintain compliance with the Non-Degradation Rule.

Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Ranked - BELOW AVERAGE, 200 POINTS

The preliminary engineering analysis failed to thoroughly evaluate and detail the impact of the State Non-Degradation Rule on the treatment system. DEQ indicated that the review of the facility planning document was not completed. The Non-degradation should be addressed in the facility planning process. The impact of this rule could alter or change the selected alternative, and the overall project costs significantly. Since the impact of the Non-Degradation Rule was not considered during the evaluation of all of the alternatives, the best alternative may not have been selected.

Priority #4: BENEFITS TO PUBLIC COMPARED TO DOLLAR REQUEST

Ranked - AVERAGE, 350 POINTS

The City has been committed to long-term community and regional planning for several years. The City has raised water and sewer rates and maintained reserves to assure adequate repair and replacement for major equipment. Additional tax levies for this purpose have been limited by I-105.

This project will result in an average benefit to the public compared with the amount of financial assistance requested. The amount requested per household of $636 is low compared with other applicants. The City's matching funds of 79% are in the highest percentage group.

The Applicant has the potential to score higher on this criteria, but the preliminary engineering analysis failed to thoroughly evaluate and detail the impact of the State Non-Degradation Rule on the treatment system. The impact of this rule could alter or change the selected alternative, and the overall project costs significantly.

Priority #5: REFLECTS GREATER FINANCIAL NEED (COMPETITIVE RANKING INDICATORS)

Ranked - 361 POINTS

The adjusted score is based on a weighted distribution of the total 600 available points for Statutory Priority #5, including indicator #1 (relative economic condition of households) and indicator #2 (target rate analysis).

(Lower ranking indicates greater financial need. For example, ranking 1st indicates a greatest need; ranking 40th indicates least financial need.)

Indicator 1. Household Economic Condition:

MHI	$16,319
% persons at or below LMI	50 %
% persons at or below poverty	17.3%

Household Economic Condition Ranking: 11th in the field of 40 applications.

Analysis for Roundup's wastewater treatment improvement request shows that the median income of the City's

households is relatively low (9th lowest of 40) among applicants for the 1996-97 TSEP financing cycle and that the relative concentration of persons living at or below the levels of poverty and "low and moderate"income is relatively low (15th and 11th of the 40 applicants). This combination of factors impacting the economic condition of the households produces a rank of 11th of the 40 applicants.

Indicator 2. Target Rate Analysis:

Existing Monthly Rate	$13.71
Variance From Target Rate	51%
Monthly Rate With No Assistance	$35.42
Variance From Target Rate	132%
Monthly Rate With Full TSEP Assistance	$32.78
Variance From Target Rate	122%

Target Rate Analysis Ranking: 19th in the field of 40 applications.

Overall Competitive Ranking: 20th in the field of 40 applications = 361 points.

Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Ranked - ABOVE AVERAGE, 375 POINTS

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
TSEP	Grant	$500,000	Applied/No Decision
CDBG	Grant	$400,000	Applied/No Decision
DNRC	Grant	$100,000	Applied/No Decision
City	Revenue Bonds	$1,391,187	Uncommitted
Total		$2,391,187	

The Applicant's matching funds (79% match) are in the highest percentage group. However, the matching funds are not firmly committed. The Applicant discussed most of the appropriate sources of funding. The City intends to pursue bonding requirements once grant funds are awarded.

Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Ranked - AVERAGE, 200 POINTS

The project represents a general infrastructure improvement which may result in the creation or retention of long-term, full-time jobs. However, the Applicant did not provide documentation that this project would provide long-term, full-time job opportunities for Montanans. The impact on job creation is indirect.

Priority #8: ALLOWS EXPANSION OF BUSINESS

Ranked - AVERAGE, 150 POINTS

The project represents a general infrastructure improvement and would not directly result in the expansion of a specific business. The impact on job creation and business expansion is indirect.

Priority #9: MAINTAINS TAX BASE

Ranked - AVERAGE, 100 POINTS

The project represents a general infrastructure improvement and no appropriate private sector alternatives were identified. The impact on the tax base is indirect.

Priority #10: HAS STRONG COMMUNITY SUPPORT

Ranked - BEST, 100 POINTS

The Community's long-term efforts to involve and inform the public regarding the overall city, county, school and hospital facility needs are exceptional. The application informed local residents of the proposed project through numerous public meetings, and news articles. The application included documentation of public notices, list of attendees, meeting minutes of outstanding citizen participation, the public needs assessment, and the capital improvements program. Local Citizens have been informed of the cost per household through the public meetings and numerous newspaper articles.

Total Points on 10 Priorities: 3,736 points out of 5,500 points possible.

PROJECT NO. 14
APPLICANT: LEWIS AND CLARK COUNTY

Type Of Project: BRIDGE REPLACEMENT

Funding Sources:

TSEP REQUEST		MATCHING FUNDS	
TSEP Grant	$128,250	INTERCAP Loan	$128,250
		County Cash	$ 1,750
Total	$128,250		$130,000

Project Total: $258,250

Percent Of Matching Funds: 50%

Project Summary:

Problem - A timber bridge built in 1955, that is located on Sierra Road where it crosses Prickly Pear Creek, has some deficiencies that requires that the load limit be reduced to less than standard highway loads because of the unsafe condition of the bridge. The deficiencies include:

1) rotten curbs,
2) loose bracing,
3) two caps crushed 1/3 of their length and a third completely crushed, and
4) settling of end fills.

Proposed Solution - The proposed project would involve replacing the timber bridge with a concrete bulb tee bridge. The DOC review engineer did recommend that the bridge be constructed for a HS20-44 live load because of the heavy truck traffic.

Overall Ranking On 10 Statutory Priorities (90-6-710 (2) MCA):

The application received 3,731 points out of 5,500 points possible, ranking 14th out of 40 applications. (Refer to the 1996 Applications: Ranking Scores For Ten Statutory Priorities Chart in Part 5 of this report.)

DOC Recommendations On Financial Assistance (90-6-710 (2) MCA):

DOC recommends partial funding for this project because:

1) The County is limited to 73.95 mills under I-105. The County did not levy the I-105 maximum in FY96 (it levied 73.06 mills, .89 mills less than the maximum). The County did not explain why it did not levy to its full I-105 legal maximum in FY96.
2) The County has levied considerably less than the 8 mills allowed for bridges in order for the County to remain under their I-105 limit. While they increased the mill levy for bridges to 3.60 mills in FY96, in previous years they levied less than 3 mills for bridges.

3) The County has not adopted a capital improvements plan for the maintenance, repair or replacement of bridges.
4) The County has not attempted to ask voters for a mill levy increase (I-105 override levy) for the maintenance, repair or replacement of bridges.
5) As a result of the limited actions taken by the County to finance the maintenance, repair or replacement of bridges, DOC is recommending that the Applicant receive $64,125 which is half of the TSEP grant request.

(Refer to the TSEP Financial Gap Analysis/Grant Award Recommendations Chart in Part 5 of this report.)

DOC Recommended Conditions On The Project:

If this project is selected for funding, DOC recommends the following conditions on the project:

The bridge be constructed to HS20-44 live load.

Rationale For Ranking On 10 Statutory Priorities:

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority.

Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Ranked - ABOVE AVERAGE, 750 POINTS

There is a serious deficiency that creates a public safety threat and the problem is existing and chronic. The MDT has rated the bridge as in need of replacement or major repairs. This project was not rated "Best" because the bridge serves a relatively small portion of the County, and even if the bridge were to close, all uses located along the road could still access their property from either York Road or Montana Avenue.

Priority #2: MEETS HEALTH/SAFETY STANDARDS

Ranked - ABOVE AVERAGE, 675 POINTS

There are safety standards not being met; MDT has given the bridge a sufficiency rating of 40.8. MDT advises that bridges with sufficiency ratings of 50 or less should be considered for replacement or major repairs which indicates that this bridge represents a significant threat to public safety. However, the project is not necessary to comply with a court order or a state or federal agency directive.

Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Ranked - ABOVE AVERAGE, 600 POINTS

The proposed new bridge will thoroughly address the problem, but the DOC review engineer did comment that the bridge should be designed for a HS20-44 live load rather than the proposed H15 live load in order to provide for longer term use since the cost differential is minimal.

Priority #4: BENEFITS TO PUBLIC COMPARED TO DOLLAR REQUEST

Ranked - ABOVE AVERAGE, 525 POINTS

This project would result in an above average benefit to the public commensurate with the amount of financial assistance requested. There is a serious public safety threat, although the threat is limited to a relatively small portion of the County.

The amount requested per household ($6.29) is very low compared to the other applications, however, this is due to the fact that the costs are spread over the entire County even though the improvements would benefit a relatively small portion of the County. Matching funds (50%) are only in the third highest percentage group compared to the other applications. While the County has initiated some comprehensive planning, the planning for the repair, maintenance and replacement of bridges has been very limited.

Priority #5: REFLECTS GREATER FINANCIAL NEED (COMPETITIVE RANKING INDICATORS)

Ranked - 281 POINTS

The adjusted score is based on a weighted distribution of the total 600 available points for Statutory Priority #5, including indicator #1 (relative economic condition of households) and indicator #2 (target rate analysis).

(Lower ranking indicates greater financial need. For example, ranking 1st indicates a greatest need; ranking 40th indicates least financial need.)

Indicator 1. Household Economic Condition:

MHI	$26,409
% persons at or below LMI	36%
% persons at or below poverty	11.8%

Household Economic Condition Ranking: 38th in the field of 40 applications.

Analysis for Lewis and Clark County's bridge replacement request shows that the median income of the County's households is very high (38th lowest of 40) among applicants for the 1996-97 TSEP financing cycle and that the relative concentration of persons living at or below the levels of poverty and "low and moderate" income is low (32nd and 31st of the 40 applicants). This combination of factors impacting the economic condition of the households produces a rank of 38th of the 40 applicants.

Indicator 2. Target Rate Analysis:

(Note: Target Rate Analysis is not applicable to bridge projects. A score for Indicator 2 is assigned based on the applicant's answers to the ten questions used to determine what the applicant has done to finance bridge projects in the past.)

1) The County is limited to 73.95 mills under I-105. The County did not levy the I-105 maximum in FY96 (it levied 73.06 mills, .89 mills less than the maximum). The County did not explain its decision to levy less than its full I-105 legal maximum in FY96.

2) The County has levied considerably less than the 8 mills allowed for bridges in order for the County to remain under their I-105 limit. While they increased the mill levy for bridges to 3.60 mills in FY96, in previous years they levied less than 3 mills for bridges.

3) The County has not adopted a capital improvements plan for the maintenance, repair or replacement of bridges.

4) The County has not attempted to ask voters for a mill levy increase (I-105 override levy) for the maintenance, repair or replacement of bridges.

5) As a result of the limited actions taken by the County to finance the maintenance, repair or replacement of bridges, DOC is recommending that the Applicant be awarded half of the TSEP grant request.

Target Rate Analysis Ranking: 19th in the field of 40 applications.

Overall Competitive Ranking: 36th in the field of 40 applications = 281 points.

Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Ranked - ABOVE AVERAGE, 375 POINTS

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
TSEP	Grant	$128,250	Applied/No Decision
INTERCAP	Loan	$128,250	No Application Submitted
County	Cash	$1,750	Committed
Total		$258,250	

Even though the matching funds (50% match) are only in the third highest percentage group, the County's funds are committed and INTERCAP loan is as good as committed, and without TSEP funding the applicant would be completely dependent on local resources. This project is not eligible for the other types of funding programs normally discussed. The County did discuss attempts to obtain funding from other agencies including the Departments of Justice and Transportation. They also discussed rural improvement districts.

Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Ranked - AVERAGE, 200 POINTS

The project represents a general infrastructure improvement and would not directly result in the creation or retention of long-term, full-time jobs.

Priority #8: ALLOWS EXPANSION OF BUSINESS

Ranked - AVERAGE, 150 POINTS

The project represents a general infrastructure improvement and would not directly result in the expansion of a specific business.

Priority #9: MAINTAINS TAX BASE

Ranked - AVERAGE, 100 POINTS

The project represents a general infrastructure improvement that should protect and may even expand the tax base. No appropriate private sector alternatives were identified.

Priority #10: HAS STRONG COMMUNITY SUPPORT

Ranked - ABOVE AVERAGE, 75 POINTS

There was a public hearing and the public was informed of the project. No increases in assessments are anticipated for the project. The County has not prepared a CIP for bridges, but the County has taken some other actions to prioritize public facility needs.

Total Points on 10 Priorities: 3,731 points out of 5,500 points possible.

PROJECT NO. 15
APPLICANT: CITY OF HAMILTON

Type Of Project: WASTEWATER TREATMENT IMPROVEMENTS

Funding Sources:

TSEP REQUEST		MATCHING FUNDS	
TSEP Grant	$ 500,000	City	$131,000
		CDBG Grant	$400,000
Total	$500,000		$531,000

Project Total: $ 1,031,000

Percent Of Matching Funds: 52%

Project Summary:.

Problem - The treatment facility is nearing its capacity for handling the sludge processing capability, storage and drying. Current and future use is expected to exhaust the plants capacity, jeopardizing the effective operation of the system. The plant is expected to reach full capacity by 1998.

1) There is inadequate capacity in the existing sludge drying and composting operation to accommodate the increased loading of new connections,
2) The current facility does not meet the current fire code and safety requirements.
3) Secondary clarifiers, chlorine contact basin, grit removal chamber and lift pumps have a modest amount of capacity remaining.

Proposed Solution - The project proposes to take proactive measures to address some deficiencies and limitations within the City's existing wastewater treatment facility. The components of the selected alternative include, expansion of the solids storage, drying and biosolids composting, chlorination and dechlorination safety improvements, secondary clarifier system, sludge control, and ventilation improvements.

Overall Ranking On 10 Statutory Priorities (90-6-710 (2) MCA):

The application received 3,691 out of 5,500 points possible, ranking 15th out of 40 applications. (Refer to the 1996 Applications: Ranking Scores For Ten Statutory Priorities Chart in Part 5 of this report.)

DOC Recommendations On Financial Assistance (90-6-710 (2) MCA):

DOC recommends funding for this project because:

1) Based on the methodology used in DOC's financial analysis, the Applicant does not appear to have the financial capacity to borrow the funds requested as an alternative to receiving a TSEP grant. This is an affordability problem.
2) Without the TSEP grant, the combined water and wastewater rates charged to households would be

196% of the target rate, which indicates an affordability problem for the ratepayers.

3) DOC recommends $500,000 in TSEP grant funds for this project.

(Refer to the TSEP Financial Gap Analysis/Grant Award Recommendations Chart in Part 5 of this report).

Recommended Conditions For This Project:

DOC does not recommend any conditions for the project.

Rationale For Ranking On 10 Statutory Priorities:

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority.

Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Ranked - AVERAGE, 500 POINTS

The DOC review engineer commented that the current wastewater treatment plant is capable of treating all of the sewage generated by the community. The preliminary engineering analysis has identified a need to expand the current system's capacity to meet future needs based on projected growth of the City.

There are no major deficiencies identified with the current system. The ventilation and segregation of the chlorine and sulfur dioxide canisters is identified as a priority for this project because it could be improved to meet the new building code requirements. The lack of adequate ventilation and other environmental controls in the chlorine room could present a significant safety threat to the operator if proper precautions are not followed. However, this represents a small portion of the project and is not clearly required by current safety requirements.

Priority #2: MEETS HEALTH/SAFETY STANDARDS

Ranked - AVERAGE, 450 POINTS

The proposed project is not currently under enforcement action by any state or federal agency. It does rank in the middle third on the DEQ's Municipal Wastewater Assistance Priority List. The state WQD recognizes that the community is attempting to upgrade their system before it reaches its design capacity.

The chlorination and dechlorination portion of the plant would benefit from safety improvements for leak detection but these are not required by the existing code. The leak detection is required for new installations and would provide an increased measure of safety for employees.

Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Ranked - ABOVE AVERAGE, 600 POINTS

According to the DOC review engineer, the project thoroughly addresses the problem with plant capacity and provides a complete and long-term solution.

Priority #4: BENEFITS TO PUBLIC COMPARED TO DOLLAR REQUEST

Ranked - ABOVE AVERAGE, 525 POINTS

This project will result in an above average benefit to the public commensurate with the amount of financial assistance requested. The amount requested per household is $372.00, and the amount of matching funds is in the third highest percentage group compared with other applicants. There have been considerable efforts to deal with the public facility problem through a Capital Improvement Plan. The problem is not a result of past inadequate O&M practices.

Priority #5: REFLECTS GREATER FINANCIAL NEED (COMPETITIVE RANKING INDICATORS)

Ranked - 466 POINTS

The adjusted score is based on a weighted distribution of the total 600 available points for Statutory Priority #5, including indicator #1 (relative economic condition of households) and indicator #2 (target rate analysis).

(Lower ranking indicates greater financial need. For example, ranking 1st indicates a greatest need; ranking 40th indicates least financial need.)

Indicator 1. Household Economic Condition:

MHI	$14,913
% persons at or below LMI	55 %
% persons at or below poverty	17.8%

Household Economic Condition Ranking: 7th in the field of 40 applications.

Analysis for Hamilton's wastewater treatment improvement request shows that the median income of the City's households is relatively high (4th lowest of 40) among applicants for the 1996-97 TSEP financing cycle and that the relative concentration of persons living at or below the levels of poverty and "low and moderate" income is relatively high (14th and 7th out of 40 applicants). This combination of factors impacting the economic condition of the households produces a rank of 7th of the 40 applicants.

Indicator 2. Target Rate Analysis:

Existing Monthly Rate	$29.58
Variance From Target Rate	120%
Monthly Rate With No Assistance	$48.22

Variance From Target Rate	196%
Monthly Rate With Full TSEP Assistance	$47.28
Variance From Target Rate	192%

Target Rate Analysis Ranking: 5th in the field of 40 applications.

Overall Competitive Ranking: 9th in the field of 40 applications = 466 points.

Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Ranked - ABOVE AVERAGE, 375 POINTS

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
TSEP	Grant	$500,000	Applied/No Decision
CDBG	Grant	$400,000	Applied/No Decision
Local	Grant	$131,000	Committed
Total		$1,031,000	

The amount of matching funds is average. However, the applicant identified several potential sources of funding. The Applicant proposes 52% matching funds.

Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Ranked - ABOVE AVERAGE, 300 POINTS

The project represents a general infrastructure improvement with identified potential for future development which would be supported by the proposed improvements.

Priority #8: ALLOWS EXPANSION OF BUSINESS

Ranked - ABOVE AVERAGE, 225 POINTS

The project represents a general infrastructure improvement with potential for specific businesses to develop within the project area.

Priority #9: MAINTAINS TAX BASE

Ranked - ABOVE AVERAGE, 150 POINTS

The project represents a general infrastructure improvement with potential for expansion of the tax base once the treatment facility increases its current capacity. The proposed project would facilitate commercial development, business expansion and housing development which was specifically described. No appropriate private sector alternatives were identified.

Priority #10: HAS STRONG COMMUNITY SUPPORT

Ranked - BEST, 100 POINTS

The application provided documentation of local residents' involvement, and the public meetings.
The application contained letters of support for the project from the Chamber of Commerce, local organizations and businesses which indicated plans for future economic and housing development. The Applicant provided the results of the community needs assessment survey.

Total Points on 10 Priorities: 3,691 points out of 5,500 points possible.

PROJECT NO. 16
APPLICANT: CITY OF MISSOULA

Type Of Project: SEWER SYSTEM IMPROVEMENTS

Funding Sources:

TSEP REQUEST		MATCHING FUNDS	
TSEP Grant	$500,000	CDBG Grant	$ 400,000
		DNRC Grant	$ 100,000
		Missoula WQD	$ 100,000
		Missoula SID	$1,580,000
		Revenue Bond	$ 614,000
Total	$500,000		$2,794,000

Project Total: $3,294,000

Percent Of Matching Funds: 84%

Project Summary:

Problem - The City of Missoula is proposing to make wastewater improvements to the Reserve Street Neighborhood. This densely populated, primarily low income neighborhood currently has inadequate methods and system for treating wastewater.

1) Reserve Street Neighborhood has a high number antiquated cesspools and seepage pits which provide little or no treatment to protect groundwater quality.
2) The Missoula aquifer is extremely vulnerable to contamination by the high density and use of septic systems in the area. The Missoula aquifer is designated as the only sole-source aquifer in the area, and serves as the community's only source of drinking water.

Proposed Solution - The City's plan is to eliminate on-site septic systems by providing a gravity sewer collection system to unsewered areas. The project includes construction of approximately 40,640 feet of conventional collection mains, laterals and service lines, 204 service stubs, 133 manholes, 11,313 feet of asphalt replacement.

Overall Ranking On 10 Statutory Priorities (90-6-710 (2) MCA):

The application received 3,676 out of 5,500 points possible, ranking 16th out of 40 applications. (Refer to the 1996 Applications: Ranking Scores For Ten Statutory Priorities Chart in Part 5 of this report.)

DOC Recommendation On Financial Assistance (90-6-710 (2) MCA):

DOC recommends funding for this project because:

1) Based on the methodology used in DOC's financial analysis, the Applicant does not appear to have the financial capacity to borrow the funds requested as an alternative to receiving a TSEP grant. This is an

affordability problem.

2) Without the TSEP grant, the combined water and wastewater rates charged to households would be 203% of the target rate, which indicates an affordability problem for the ratepayers. Without the TSEP grant, the combined rates would be $53.37 per month per household.

3) DOC recommends $500,000 in TSEP grant funds for this project.

(Refer to the TSEP Financial Gap Analysis/Grant Award Recommendations Chart in Part 5 of this report.)

Recommended Conditions For This Project:

The City will ensure all properties are mandated to hook-up to the new wastewater collection system in order to fully utilize the project improvements.

Rationale For Ranking On 10 Statutory Priorities:

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority.

Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Ranked - ABOVE AVERAGE, 750 POINTS

The proposed project is targeted to the particular area of Missoula know as Reserve Street South. The population of the project area is 2500. 65% of the estimated 454 households in this area are low and moderate income families. The lack of a central sewer collection system of this area directly affects the City and surrounding area should contamination of the aquifer occur. Missoula has taken a proactive position to protect the aquifer from contamination. Numerous studies have been conducted to the Missoula aquifer. One concern is the presence of on-site wastewater treatment systems (cesspools and septic tanks, with and without drain fields) will contaminate the aquifer. The City's plan to eliminate on-site sewer systems by providing a central collection system will correct deficiencies before contamination to the aquifer becomes a serious problem.

Priority #2: MEETS HEALTH/SAFETY STANDARDS

Ranked - ABOVE AVERAGE, 675 POINTS

Discussions with the DEQ confirmed that no state or federal agency directive has been issued for Missoula. The DOC review engineer commented that the likelihood that violations of state and federal health or safety standards is quite high and does represent a potential threat to the public. The project will not completely address the problem, although it does address a significant area of potential contamination. Additional areas still need to be served in order to continue elimination of on-site wastewater systems. Missoula's aquifer is a "sole source" aquifier and has received federal designation to protect its water quality.

Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Ranked - AVERAGE, 400 POINTS

The application did not provide clear documentation whether all properties in the project area will be mandated to hook on to the new collection system. If not, the project does not provide a reasonably complete solution. Every effort should be made to eliminate as many on-site systems as feasible. Installation of a gravity sewer collection system is likely the best solution to address the problem. In order to fully utilize the project improvements, the City should ensure all properties become hooked onto the new system. The proposed improvements most likely represent the most efficient, appropriate and cost effective option for resolving the problem, the preliminary engineering report does not clearly document this.

Priority #4: BENEFITS TO PUBLIC COMPARED TO DOLLAR REQUEST

Ranked - AVERAGE, 350 POINTS

The proposed project would result in an average benefit to the public commensurate with the amount of financial assistance requested. The average amount of TSEP funds requested per residential household ($1,101), is average compared with other applicants. The Applicant has documented the effort to deal with the public facility problem through a planning process.

Priority #5: REFLECTS GREATER FINANCIAL NEED (COMPETITIVE RANKING INDICATORS)

Ranked - 476 POINTS

The adjusted score is based on a weighted distribution of the total 600 available points for Statutory Priority #5, including indicator #1 (relative economic condition of households) and indicator #2 (target rate analysis). (Lower ranking indicates greater financial need. For example, ranking 1st indicates a greatest need; ranking 40th indicates least financial need.)

Indicator 1. Household Economic Condition:

MHI	$15,963
% persons at or below LMI	61%
% persons at or below poverty	25%

Household Economic Condition Ranking: 4th in the field of 40 applications.

Analysis for the Applicant's wastewater treatment improvement request shows that the median income of the neighborhood households is relatively low (7th lowest of 40) among applicants for the 1996-97 TSEP financing cycle and that the relative concentration of persons living at or below the levels of poverty and "low and moderate"income is relatively low (5th and 4th of the 40 applicants). This combination of factors impacting the economic condition of the households produces a rank of 4th of the 40 applicants.

Indicator 2. Target Rate Analysis:

Existing Monthly Rate	$36.50
Variance From Target Rate	139%
Monthly Rate With No Assistance	$53.37
Variance From Target Rate	203%
Monthly Rate With Full TSEP Assistance	$48.62
Variance From Target Rate	185%

Target Rate Analysis Ranking: 5th in the field of 40 applications.

Overall Competitive Ranking: 6th in the field of 40 applications = 476 points.

Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Ranked - BEST, 500 POINTS

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
TSEP	Grant	$ 500,000	Applied/No Decision
CDBG	Grant	$ 400,000	Applied/No Decision
DNRC	Grant	$ 100,000	Applied/No Decision
District	Grant SID	$ 100,000 $1,580,000	Committed pending TSEP funding
City	Revenue Bond	$ 614,000	pending TSEP funding
Total		$2,794,000	

The Applicant has identified several potential funding sources to determine the most appropriate for the project. The Applicant's level of matching funds (84% match) is in the highest percentage group compared with other applicants.

Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Ranked - AVERAGE, 200 POINTS

The project represents a general infrastructure improvement and would not directly result in the creation or retention of any long-term, full-time jobs. The impact on job creation would be indirect.

Priority #8: ALLOWS EXPANSION OF BUSINESS

Ranked - AVERAGE, 150 POINTS

The project represents a general infrastructure improvement and would not directly result in the expansion of a specific business. The impact on job creation and business expansion is indirect.

Priority #9: MAINTAINS TAX BASE

Ranked - AVERAGE, 100 POINTS

The project represents a general infrastructure improvement that will likely help maintain the tax base. No appropriate private sector alternatives were identified.

Priority #10: HAS STRONG COMMUNITY SUPPORT

Ranked - ABOVE AVERAGE, 75 POINTS

The Applicant has taken additional actions to inform the public and develop a strong consensus for support of the proposed project. A community needs survey and assessment identified the proposed project as a high priority. The Applicant provided numerous articles to document the citizen participation efforts.

Total Points on 10 Priorities: 3,676 points out of 5,500 points possible.

PROJECT NO. 17
APPLICANT: CITY OF CHINOOK

Type Of Project: WATER TREATMENT PLANT IMPROVEMENTS

Funding Sources:

TSEP REQUEST		MATCHING FUNDS	
TSEP Grant	$313,555	DNRC Grant	$294,000
		LOCAL Grant	$ 19,555
Total	$313,555		$313,555

Project Total: $627,110

Percent Of Matching Funds: 50%

Project Summary:

Problem - The DEQ evaluation of the City's treatment plant identified a number of deficiencies that need to be addressed in order to comply with regulations and provide reliable treatment. The most pressing issue is the disinfection contact time. This problem has not been identified as a chronic condition, although a boil order has been issued. The water treatment facility deficiencies include:

1) insufficient disinfectant contact time in the existing clear well,
2) the raw water intake malfunctions which causes sedimentation and plugging problems,
3) the chemical feeds system is worn and needs replacement and renovation.

Proposed Solution: The project consists of upgrading portions of the water treatment plant, with improvements to the intake structure. The disinfectant contact time deficiency will be addressed by rehabilitating the existing disinfectant basins to provide additional disinfectant time. Extending the intake pipe and screen into the river will improve sediment removal and prevent plugging of the screen. Most improvements in the chemical feed system are needed to improve operations and address inspection deficiencies.

Overall Ranking On 10 Statutory Priorities (90-6-710 (2) MCA):

The application received 3,662 out of 5,500 points possible, ranking 17th out of 40 applications. (Refer to the 1996 Applications: Ranking Scores For Ten Statutory Priorities Chart in part 5 of this report)

DOC Recommendation On Financial Assistance (90-6-710 (2) MCA):

DOC recommends funding for this project because:

1) Based on the methodology used in DOC's financial analysis, the Applicant does not appear to have the financial capacity to borrow the funds requested as an alternative to receiving a TSEP grant. This is an affordability problem.
2) Without the TSEP grant, the combined water and wastewater rates charged to households would be

163% of the target rate, which indicates an extreme affordability problem for the rate payers. Without the TSEP grant, the combined rates would be $51.76 per month per household.

3) DOC recommends $313,555 in TSEP grant funds for this project.

(Refer to the TSEP Financial Gap Analysis/Grant Award Recommendations Chart in part 5 of this report)

Recommended Conditions For This Project:

DOC does not recommend any conditions for the project.

Rationale For Ranking On 10 Statutory Priorities:

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority.

Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Ranked - ABOVE AVERAGE, 750 POINTS

The proposed project addresses just the highest priority deficiencies for the water treatment facilities, as identified in the water master plan. The project consists of upgrading portions of the water treatment plant, improving the intake structure and providing sufficient disinfection contact time by renovating the existing concrete contact basins. The deficient disinfection contact time in the clear well poses a potentially serious health and safety threat in providing safe drinking water. The clear well can be drawn down to a point where the finished water entering the clear well has virtually no detention time. This issue is a major violation mentioned in the letter from the Montana Department of Environmental Quality, Water Quality Division. This project will eliminate public health and safety concerns with the inadequacies of the intake structure.

Inadequate chlorine ventilation and leak detection is likely to cause human injury. Chlorine gas is an extremely dangerous toxin. Ventilation improvements to the chlorine room are needed to satisfy building codes and eliminates public safety risks that apparently exist.

Priority #2: MEETS HEALTH/SAFETY STANDARDS

Ranked - ABOVE AVERAGE, 675 POINTS

A portion of this project is necessary to comply with DEQ's mandate to meet contact time requirements for disinfection. This portion represents one third of the project construction costs. Chlorine ventilation is needed to satisfy building code requirements. The application did not mention whether building codes or OSHA enforcement has been taken. The remaining activities are largely needed to meet inspection recommendations, design standards are operation and maintenance needs.

Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Ranked - ABOVE AVERAGE, 600 POINTS

The disinfectant contact time deficiency is addressed by rehabilitating the existing disinfectant contact basins and will completely solve the problem. The Master Plan identified and evaluated reasonable and cost effective alternatives. The selected alternative completely solves the problems it was intended to address. However, it is one component of the effort to address all of the deficiencies identified in the City's Water Master Plan.

Priority #4: BENEFITS TO PUBLIC COMPARED TO DOLLAR REQUEST

Ranked - ABOVE AVERAGE, 525 POINTS

This project would result in an above average benefit to the public commensurate with the amount of financial assistance requested. There is a significant health and safety threat that would partly be eliminated.

The amount requested per household ($431) is relatively low compared to other applications, however, matching funds (50%) are only in the third highest percentage group. There have been some efforts to deal with the public facility problem through a planning process.

Priority #5: REFLECTS GREATER FINANCIAL NEED (COMPETITIVE RANKING INDICATORS)

Ranked - 337 POINTS

The adjusted score is based on a weighted distribution of the total 600 available points for Statutory Priority #5, including indicator #1 (relative economic condition of households) and indicator #2 (target rate analysis).

(Lower ranking indicates greater financial need. For example, ranking 1st indicates a greatest need; ranking 40th indicates least financial need.)

Indicator 1. Household Economic Condition:

MHI	$19,276
% persons at or below LMI	44 %
% persons at or below poverty	16.5%

Household Economic Condition Ranking: 18th in the field of 40 applications.

Analysis for Chinook's water treatment improvement request shows that the median income of the City's households is average (17th lowest of 40) among applicants for the 1996-97 TSEP financing cycle and that the relative concentration of persons living at or below the levels of poverty and "low and moderate"income is average (17th and 19th of the 40 applicants) . This combination of factors impacting the economic condition of the households produces a rank of 18th of the 40 applicants.

Indicator 2. Target Rate Analysis:

Existing Monthly Rate	$43.75
Variance From Target Rate	138%
Monthly Rate With No Assistance	$51.76
Variance From Target Rate	163%
Monthly Rate With Full TSEP Assistance	$47.73
Variance From Target Rate	150%

Target Rate Analysis Ranking: 19th in the field of 40 applications.

Overall Competitive Ranking: 25th in the field of 40 applications = 337 points.

Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Ranked - AVERAGE, 250 POINTS

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
TSEP	Grant	$313,555	Applied/No Decision
DNRC	Grant	$294,000	Applied/No Decision
Local	Grant	$19,555	Committed
Total		$627,110	

The Applicant's matching funds (50% match) are in the third highest percentage group compared with other applications. The Applicant did not identify any other potential alternative funding sources.

Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Ranked - AVERAGE, 200 POINTS

The project represents a general infrastructure improvement and would not directly result in the creation or retention of long-term, full-time jobs.

Priority #8: ALLOWS EXPANSION OF BUSINESS

Ranked - AVERAGE, 150 POINTS

The project represents a general infrastructure improvement and would not directly result in the expansion of a specific business.

Priority #9: MAINTAINS TAX BASE

Ranked - AVERAGE, 100 POINTS

The project represents a general infrastructure improvement that should protect and may even expand the tax base. No appropriate private sector alternatives were identified.

Priority #10: HAS STRONG COMMUNITY SUPPORT

Ranked - ABOVE AVERAGE, 75 POINTS

The Applicant provided documentation that twenty-one persons attended the public meeting in which the proposed project was discussed. Among the twenty-one people in attendance were local government officials, city council members, the project engineer, and Bear Paw Development staff. The council meeting minutes documented that the proposed water rates were discussed. The project would increase the residential user rate an additional $2.70 each month.

Total Points on 10 Priorities: 3,662 points out of 5,500 points possible.

PROJECT NO. 18
APPLICANT: CITY OF FORT BENTON

Type Of Project: WATER SYSTEM IMPROVEMENTS

Funding Sources:

TSEP REQUEST		MATCHING FUNDS	
TSEP Grant	$480,244	DNRC Loan	$520,480
		City Cash	$ 19,943
Total	$480,244		$540,423

Project Total: $1,020,667

Percent Of Matching Funds: 53%

Project Summary:

Problem - The Fort Benton water system has some deficiencies that results in low water pressures, thereby creating a fire flow problem. The deficiencies include:

1) deteriorated water distribution lines,
2) broken valves,
3) undersized distribution lines, and
4) no water meters.

Proposed Solution - The proposed project will involve replacing several undersized distribution lines, installing some additional distribution lines, and installing 546 water meters.

Overall Ranking On 10 Statutory Priorities (90-6-710 (2) MCA):

The application received 3,633 points out of 5,500 points possible, ranking 18th out of 40 applications. (Refer to the 1996 Applications: Ranking Score For Ten Statutory Priorities Chart in Part 5 of this report.)

DOC Recommendations On Financial Assistance (90-6-710 (2) MCA):

DOC recommends funding for this project because:

1) Based on the methodology used in DOC's financial analysis, the Applicant does not appear to have the financial capacity to borrow the funds requested is in alternative to receiving a TSEP grant. This is an affordability problem.
2) Without the TSEP grant, the combined water and wastewater rates charged to households would be 129% of the target rate, which indicates an affordability problem for the ratepayers.
3) Thus, DOC recommends $480,244 in TSEP grant funds for this project.

(Refer to the TSEP Financial Gap Analysis/Grant Award Recommendations Chart in Part 5 of this report.)

DOC Recommended Conditions On The Project:

No conditions are being recommended for this project.

Rationale For Ranking On 10 Statutory Priorities:

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority.

Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Ranked - ABOVE AVERAGE, 750 POINTS

There are serious deficiencies that primarily affect fire flows and the ability to fight fires which could result in a substantial property loss and be a serious public health and safety threat. The primary areas affected by inadequate fire protection include the business district, courthouse, hospital, and an elementary school. While no previous fires were noted, there is the potential for catastrophic loss due to a fire given the areas and buildings that are at risk. In addition, this loss is compounded by the fact that many buildings in this area are of historical interest. However, there is no documentation provided from any state or federal agencies which substantiates the seriousness of the deficiency.

Priority #2: MEETS HEALTH/SAFETY STANDARDS

Ranked - ABOVE AVERAGE, 675 POINTS

While there are serious deficiencies that create both a significant health and safety threat, as well as catastrophic loss of property, there is no directive from any state or federal agencies to correct the deficiencies. While there is not a specific standard that relates to existing systems that do not meet fire flow requirements, MDEQ states that new systems providing fire protection shall be designed in accordance with the recommendations of the State Fire Marshall and the Insurance Services Office. The available fire flows in Fort Benton do not meet those standards recommended by the Insurance Services Office. The project does not address all of the problem areas, but does take care of some of the areas with the greatest need including the hospital and the downtown business district. The DOC review engineer commented that it does not appear that the situation at the school or courthouse will be addressed completely with the proposed improvements, because the scope of the project was changed and the water main serving these buildings will not be replaced at this time.

Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Ranked - ABOVE AVERAGE, 600 POINTS

The selected design appears to be feasible and appropriate and is part of an overall program that will represents a long-term solution to the fire flow problem. This response was not ranked higher because no rationale was provided for eliminating an improvement that was originally part of phase one, and would have provided

protection to the courthouse and elementary school, while substituting a phase two improvement instead. The City is partly metered and this project will meter the remaining hook-ups.

Priority #4: BENEFITS TO PUBLIC COMPARED TO DOLLAR REQUEST

Ranked - ABOVE AVERAGE, 525 POINTS

This project would result in an above average benefit to the public commensurate with the amount of financial assistance requested. There is a significant health and safety threat that would partly be eliminated.

The amount requested per household ($755) is relatively low compared to other applications, however, matching funds (53%) are only in the third highest percentage group. There have been some efforts towards a long-term commitment to comprehensive planning in order to provide public facilities and services that are adequate and cost effective.

Priority #5: REFLECTS GREATER FINANCIAL NEED (COMPETITIVE RANKING INDICATORS)

Ranked - 308 POINTS

The adjusted score is based on a weighted distribution of the total 600 available points for Statutory Priority #5, including indicator #1 (relative economic condition of households) and indicator #2 (target rate analysis).

(Lower ranking indicates greater financial need. For example, ranking 1st indicates a greatest need; ranking 40th indicates least financial need.)

Indicator 1. Household Economic Condition:

MHI	$22,469
% persons at or below LMI	38%
% persons at or below poverty	13.8%

Household Economic Condition Ranking: 29th in the field of 40 applications.

Analysis for Fort Benton's water system improvement request shows that the median income of the City's households is relatively high (30th lowest of 40) among applicants for the 1996-97 TSEP financing cycle and that the relative concentration of persons living at or below the levels of poverty and "low and moderate" income is average (25th and 28th of the 40 applicants). This combination of factors impacting the economic condition of the households produces a rank of 29th of the 40 applicants.

Indicator 2. Target Rate Analysis:

Existing Monthly Rate	$34.25
Variance From Target Rate	92%
Monthly Rate With No Assistance	$47.71
Variance From Target Rate	129%
Monthly Rate With Full TSEP Assistance	$42.23
Variance From Target Rate	114%

Target Rate Analysis Ranking: 19th in the field of 40 applications.

Overall Competitive Ranking: 30th in the field of 40 applications = 308 points.

Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Ranked - AVERAGE, 250 POINTS

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
TSEP	Grant	$480,244	Applied/No Decision
DNRC	Loan	$462,500	Applied/No Decision
City	Cash	$19,375	Committed
Total		$1,020,667	

Matching funds (53% match) are in the third highest percentage group relative to other applications. The Applicant has submitted an application to DNRC for a grant and would provide the remaining funds from reserves. There was no discussion of other potential funding sources.

Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Ranked - AVERAGE, 200 POINTS

The project represents a general infrastructure improvement and would not directly result in the creation or retention of long-term, full-time jobs.

Priority #8: ALLOWS EXPANSION OF BUSINESS

Ranked - AVERAGE, 150 POINTS

The project represents a general infrastructure improvement and would not directly result in the expansion of a specific business.

Priority #9: MAINTAINS TAX BASE

Ranked - AVERAGE, 100 POINTS

The project represents a general infrastructure improvement that should protect and may even expand the tax base. No appropriate private sector alternatives were identified.

Priority #10: HAS STRONG COMMUNITY SUPPORT

Ranked - ABOVE AVERAGE, 75 POINTS

The Applicant held two meetings on the project and the public was informed of the estimated cost per household of user charges. While the community does not have a CIP it is a member of the Bear Paw Economic Development District and it prepares an annual overall work program for the District.

Total Points on 10 Priorities: 3,633 points out of 5,500 points possible.

PROJECT NO. 19
APPLICANT: CITY OF MILES CITY

Type Of Project: **WATER DISTRIBUTION SYSTEM IMPROVEMENTS**

Funding Sources:

TSEP REQUEST		MATCHING FUNDS	
TSEP Grant	$136,000	INTERCAP Loan	$137,000
Total	$136,000		$137,000

Project Total: $273,000

Percent Of Matching Funds: 50%

Project Summary:

Problem - The Miles City water distribution system has a 14 inch water transmission main that is broken under the Tongue River.

Proposed Solution - The proposed project would involve replacing the broken section of 14 inch water main crossing under the Tongue River with a 20 inch main.

Overall Ranking On 10 Statutory Priorities (90-6-710 (2) MCA):

The application received 3,616 points out of 5,500 points possible, ranking 19th out of 40 applications. (Refer to the 1996 Applications: Ranking Scores For Ten Statutory Priorities Chart in Part 5 of this report.)

DOC Recommendations On Financial Assistance (90-6-710 (2) MCA):

DOC recommends funding for this project because:

1) Based on the methodology used in DOC's financial analysis, the Applicant does not appear to have the financial capacity to borrow the funds requested as an alternative to receiving a TSEP grant. This is an affordability problem.
2) Without the TSEP grant, the combined water and wastewater rates charged to households would be 107% of the target rate, which indicates an affordability problem for the ratepayers.
3) Thus, DOC recommends $136,000 in TSEP grant funds for this project.

(Refer to the TSEP Financial Gap Analysis/Grant Award Recommendations Chart in Part 5 of this report.)

DOC Recommended Conditions On The Project:

No conditions are being recommended for this project.

Rationale For Ranking On 10 Statutory Priorities:

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority.

Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Ranked - ABOVE AVERAGE, 750 POINTS

While the deficiency does not have any impact at this time, if the remaining water main crossing were to break it would be catastrophic. The entire city would be without water and this would clearly be a serious public health and safety threat. The remaining water main conveying water from the water treatment plant is 44 years old and probably affected by corrosion. The fact that the confluence of the Tongue River with the Yellowstone River at Miles City has historically caused ice jams puts the remaining transmission line at risk. Furthermore, the storage tank on the east side of the City is currently out of service for repairs, so the entire distribution system currently depends on a constant supply of water from the treatment plant.

Priority #2: MEETS HEALTH/SAFETY STANDARDS

Ranked - AVERAGE, 450 POINTS

There are no public health or safety standards being violated with only one transmission line. This was not ranked "Below Average" because if the remaining water main crossing were to break it would be catastrophic. The entire city would be without water and this would clearly be a serious public health and safety threat.

Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Ranked - BEST, 800 POINTS

The proposed project is the most appropriate, cost-effective technical design and provides a thorough, long-term solution. There are no unanswered questions of any consequence that the analysis did not address. The City is currently metered.

Priority #4: BENEFITS TO PUBLIC COMPARED TO DOLLAR REQUEST

Ranked - ABOVE AVERAGE, 525 POINTS

This project would result in an above average benefit to the public commensurate with the amount of financial assistance requested. There is a potential public health and safety threat that would be catastrophic even though no public health or safety standards are currently being violated.

The amount requested per household ($39) is very low compared to other applications, however, the amount of matching funds (50%) is only in the third highest percentage group. In addition, the City has made substantial

planning efforts in order to provide both adequate and cost effective public facilities. This project was ranked this high primarily because if the remaining line were to break it would be catastrophic for the entire city.

Priority #5: REFLECTS GREATER FINANCIAL NEED (COMPETITIVE RANKING INDICATORS)

Ranked - 316 POINTS

The adjusted score is based on a weighted distribution of the total 600 available points for Statutory Priority #5, including indicator #1 (relative economic condition of households) and indicator #2 (target rate analysis).

(Lower ranking indicates greater financial need. For example, ranking 1st indicates a greatest need; ranking 40th indicates least financial need.)

Indicator 1. Household Economic Condition:

MHI	$21,224
% persons at or below LMI	37%
% persons at or below poverty	15.6%

Household Economic Condition Ranking: 27th in the field of 40 applications.

Analysis for Miles City's water system improvement request shows that the median income of the City's households is relatively high (27th lowest of 40) among applicants for the 1996-97 TSEP financing cycle and that the relative concentration of persons living at or below the levels of poverty and "low and moderate" income is average (21st and 30th of the 40 applicants). This combination of factors impacting the economic condition of the households produces a rank of 27th of the 40 applicants.

Indicator 2. Target Rate Analysis:

Existing Monthly Rate	$35.94
Variance From Target Rate	103%
Monthly Rate With No Assistance	$37.47
Variance From Target Rate	107%
Monthly Rate With Full TSEP Assistance	$36.64
Variance From Target Rate	105%

Target Rate Analysis Ranking: 19th in the field of 40 applications.

Overall Competitive Ranking: 28th in the field of 40 applications = 316 points.

Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Ranked - AVERAGE, 250 POINTS

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
TSEP	Grant	$136,000	Applied/No Decision
INTERCAP	Loan	$137,000	No Application Submitted
Total		$273,000	

The matching funds (50% match) are only in the third highest percentage group. The matching funds would be obtained from INTERCAP and should not be difficult to obtain, but there has not been any discussion with INTERCAP. The Applicant did not discuss any other potential sources of funding.

Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Ranked - AVERAGE, 200 POINTS

The project represents a general infrastructure improvement and would not directly result in the creation or retention of long-term, full-time jobs.

Priority #8: ALLOWS EXPANSION OF BUSINESS

Ranked - AVERAGE, 150 POINTS

The project represents a general infrastructure improvement and would not directly result in the expansion of a specific business.

Priority #9: MAINTAINS TAX BASE

Ranked - AVERAGE, 100 POINTS

The project represents a general infrastructure improvement that should protect and may even expand the tax base. No appropriate private sector alternatives were identified.

Priority #10: HAS STRONG COMMUNITY SUPPORT

Ranked - ABOVE AVERAGE, 75 POINTS

A public hearing was held and the public has been informed about the project. Rates have already been increased. The City adopted a comprehensive plan in 1972, and updated the plan in 1980. The 1996 update to the plan includes a comprehensive assessment of community needs and analysis of public facility needs. There is an action plan attached listing various improvements.

Total Points on 10 Priorities: 3,616 points out of 5,500 points possible.

PROJECT NO. 20
APPLICANT: LAKESIDE COUNTY WATER AND SEWER DISTRICT

Type Of Project: **WATER SYSTEM IMPROVEMENTS**

Funding Sources:

TSEP REQUEST		MATCHING FUNDS	
TSEP Grant	$500,000	DNRC Loan	$600,000
Total	$500,000		$600,000

Project Total: $1,100,000

Percent Of Matching Funds: 55%

Project Summary:

Problem - The Lakeside water system has some deficiencies that results in low water pressures, thereby creating a fire flow problem. The deficiencies include:

1) undersized distribution lines,
2) dead-end distribution lines,
3) limited well production, and
4) no water meters.

Proposed Solution - The proposed project would involve replacing approximately 6,000 feet of existing distribution lines with eight inch lines, constructing a new high volume well, installing a meter on the original well, and installing approximately 173 meters for all users.

Overall Ranking On 10 Statutory Priorities (90-6-710 (2) MCA):

The application received 3,615 points out of 5,500 points possible, ranking 20th out of 40 applications. (Refer to the 1996 Applications: Ranking Scores For Ten Statutory Priorities Chart in Part 5 of this report.)

DOC Recommendations On Financial Assistance (90-6-710 (2) MCA):

DOC recommends funding for this project because:

1) Based on the methodology used in DOC's financial analysis, the Applicant does not appear to have the financial capacity to borrow the funds requested as an alternative to receiving a TSEP grant. This is an affordability problem.
2) Without the TSEP grant, the combined water and wastewater rates charged to households would be 231% of the target rate, which indicates an extreme affordability problem for the ratepayers. With the TSEP grant, the combined water and wastewater rates charged to households will be 184% of the

target rate, which still indicates an affordability problem for the ratepayers.

3) Thus, DOC recommends $500,000 in TSEP grant funds for this project.

(Refer to the TSEP Financial Gap Analysis/Grant Award Recommendations Chart in Part 5 of this report.)

DOC Recommended Conditions On The Project:

No conditions are being recommended for this project.

Rationale For Ranking On 10 Statutory Priorities:

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority.

Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Ranked - ABOVE AVERAGE, 750 POINTS

The seriousness of the deficiencies is not as urgent as would be a water quality issue, although the recent fire disaster (the destruction of the Lakeside Marina in 1995) exposed the need for an improved distribution system. There is a moratorium on new hookups. The District is not under any directive to improve the system and there is no documentation provided in the application from a state or federal agency that substantiates the seriousness of the deficiency. However, MDEQ is aware of the quantity problems associated with this system.

Priority #2: MEETS HEALTH/SAFETY STANDARDS

Ranked - ABOVE AVERAGE, 675 POINTS

There is no directive requiring the improvements to the system even though there are standards being violated. There is a clear threat to public health and safety due to the deficiencies.

Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Ranked - ABOVE AVERAGE, 600 POINTS

Overall, the DOC review engineer commented that the proposed improvements likely represented the best alternative for correcting the deficiencies. However, due to cost constraints, not all of the distribution improvements necessary to provide fire flows will be implemented with this project. Given the financial constraints, the identified improvements appear to represent the most urgent priorities. Additional improvements that should completely resolve the problems will be completed in two additional phases. The DOC review engineer commented that the engineering analysis was adequate, although there were some unanswered questions that would have been answered with further documentation and a more detailed discussion. He noted that a detailed analysis of the alternatives was not presented for the proposed

improvements. Furthermore, the analysis should have included a more thorough hydro geological analysis. Another concern was that ISO was not contacted regarding fire flows. The project will meter all users.

Priority #4: BENEFITS TO PUBLIC COMPARED TO DOLLAR REQUEST

Ranked - AVERAGE, 350 POINTS

This project would result in an average benefit to the public commensurate with the amount of financial assistance requested. Even though there is a significant health and safety threat, Phase One of this project would not completely resolve the fire flow problems and the DOC review engineer is concerned about whether the remaining phases would be completed given the high rates that would result from these other phases.

In addition, the amount requested per household ($2,994) is relatively higher than other applications and matching funds (55%) are only in the third highest percentage group. Furthermore, while there has been some efforts toward comprehensive planning, the Applicant provided little information about attempting to deal with these problems in the past, or about their operational and maintenance budgets and practices.

Priority #5: REFLECTS GREATER FINANCIAL NEED (COMPETITIVE RANKING INDICATORS)

Ranked - 340 POINTS

The adjusted score is based on a weighted distribution of the total 600 available points for Statutory Priority #5, including indicator #1 (relative economic condition of households) and indicator #2 (target rate analysis).

(Lower ranking indicates greater financial need. For example, ranking 1st indicates a greatest need; ranking 40th indicates least financial need.)

Indicator 1. Household Economic Condition:

MHI	$29,865
% persons at or below LMI	30%
% persons at or below poverty	8%

Household Economic Condition Ranking: 39th in the field of 40 applications.

Analysis for Lakeside County Water and Sewer District's water system improvement request shows that the median income of the District's households is very high (39th lowest of 40) among applicants for the 1996-97 TSEP financing cycle and that the relative concentration of persons living at or below the levels of poverty and "low and moderate" income is relatively low (37th and 38th of the 40 applicants). This combination of factors impacting the economic condition of the households produces a rank of 39th of the 40 applicants.

Indicator 2. Target Rate Analysis:

Existing Monthly Rate	$65.83
Variance From Target Rate	134%
Monthly Rate With No Assistance	$113.63
Variance From Target Rate	231%

Monthly Rate With Full TSEP Assistance $90.91
Variance From Target Rate 184%

Target Rate Analysis Ranking: 5th in the field of 40 applications.

Overall Competitive Ranking: 24th in the field of 40 applications = 340 points.

Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Ranked - ABOVE AVERAGE, 375 POINTS

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
TSEP	Grant	$500,000	Applied/No Decision
DNRC	Loan	$600,000	Applied/No Decision
Total		$1,100,000	

Even though the matching funds (55% match) are in the third highest percentage group, without TSEP funding the Applicant will be completely dependent on the DNRC loan. While this loan has not been approved, this source has a strong likelihood of commitment. The Applicant identified and analyzed several sources of potential funding.

Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Ranked - AVERAGE, 200 POINTS

The project represents a general infrastructure improvement and would not directly result in the creation or retention of long-term, full-time jobs.

Priority #8: ALLOWS EXPANSION OF BUSINESS

Ranked - AVERAGE, 150 POINTS

The project represents a general infrastructure improvement and would not directly result in the expansion of a specific business.

Priority #9: MAINTAINS TAX BASE

Ranked - AVERAGE, 100 POINTS

The project represents a general infrastructure improvement that should protect and may even expand the tax base. No appropriate private sector alternatives were identified.

Priority #10: HAS STRONG COMMUNITY SUPPORT

Ranked - ABOVE AVERAGE, 75 POINTS

A public hearing was held and the public was informed of anticipated increases in user charges. Furthermore, there is a Lakeside County Water District Master Plan which has the improvements as the number one priority.

Total Points on 10 Priorities: 3,615 points out of 5,500 points possible.

PROJECT NO. 21
APPLICANT: TOWN OF NEIHART

Type Of Project: WATER SYSTEM IMPROVEMENTS

Funding Sources:

TSEP REQUEST		MATCHING FUNDS	
TSEP Grant	$261,028	DNRC Grant	$100,000
Total	$261,028		$100,000

Project Total: $361,028

Percent Of Matching Funds: 28% (TSEP Hardship Grant Request-Less than 50% match)

Project Summary:

Problem - The Neihart water distribution mains have the following deficiencies:

1) water mains that are buried too shallow (18 inches to 4 feet in depth);
2) water in the system is lost through leaks and letting water run to prevent freezing of mains in the winter;
3) the leaking water mains and the water lost through constantly letting it run will likely exceed the capacity of the new water treatment plant;
4) leaking mains are potential avenues for contamination of the system;
5) the Town is under a court order to repair the water mains and other portions of its water system;
6) fire protection is inadequate at times due to water main breaks; and
7) wasted chlorinated water is discharged into Belt Creek.

Proposed Solution - The proposed project would include replacement of approximately 6,150 lineal feet of water main.

Overall Ranking On 10 Statutory Priorities (90-6-710 (2) MCA):

The application received 3,536 out of 5,500 points possible, ranking 21st out of 40 applications. (See the 1996 Applications: Ranking Scores For Ten Statutory Priorities Chart in Part 5 of this report.)

DOC Recommendation On Financial Assistance (90-6-710 (2) MCA):

DOC recommends funding for this project because:

1) Based on the methodology used in DOC's financial analysis, the Applicant does not appear to have the financial capacity to borrow the funds requested as an alternative to receiving a TSEP grant. A letter from a private bond attorney provided evidence of this lack of debt capacity. This is an affordability problem.
2) Without the TSEP grant, the combined water and wastewater rates charged to households would be

323% of the target rate, which indicates an extreme affordability problem for the ratepayers.

3) Thus, DOC recommends $261,028 in TSEP grant funds for this project.

This application meets both of the two tests for award of a TSEP hardship grant. A hardship grant is a project where the Applicant proposes less than 50% matching funds due to a hardship situation. The first test is "Does a serious deficiency exist in the facility and have adverse consequences clearly attributable to a deficiency occurred?" DOC analysis of the application and information from MDEQ indicates the Applicant's water system deficiencies are "above average", (refer to the responses under statutory priorities #1 and #2 for further explanation). The Applicant is under a court order to repair the water lines. Thus, the application meets the first test.

The second test for award of a TSEP hardship grant is "Do indicators of financial capacity clearly indicate that higher local financial participation is not reasonable?" The application meets the second test because without the TSEP grant, the combined rates charges to households would be 323% of the target rate (an extreme affordability problem for the ratepayers). Also, a letter from a bond attorney documents that the Applicant could not borrow additional funds.

(See the TSEP Financial Gap Analysis/Grant Award Recommendations Chart in Part 5 of this report.)

DOC Recommended Conditions On This Project:

No conditions are being recommended for this project.

Rationale For Ranking On 10 Statutory Priorities:

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority.

Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Ranked - ABOVE AVERAGE, 750 POINTS

The DOC review engineer stated the application should be ranked "above average" principally due to the following factors:

1) The Town's leaking water distribution system is subject to contamination from groundwater when negative water pressures occur or when the system is shut down for repairs. Public health of the entire community is a risk.

2) Distribution system repairs are required by a court order in order to protect public heath. The public health threat is clearly documented by the court order and supporting DEQ information.

3) The Town's existing water mains were installed at shallow depth and are subject to freezing. Loss of water service due to freezing poses a risk to public health and safety because there would be no safe drinking water supply nor fire protection. For example, in March of 1996 a large portion of the community was left without water for fire protection for about two months when a water main froze and 1,000 feet of main had to be replaced.

Priority #2: MEETS HEALTH/SAFETY STANDARDS

Ranked - ABOVE AVERAGE, 675 POINTS

The DOC review engineer, in consultation with Mark Smith of the DEQ, stated that the project should be ranked "above average" for the following reasons:

1) The Town is currently under a court order to repair the water distribution system. The proposed project would bring the community into compliance with the court order.

2) The Town must currently pump additional water through the mains to prevent them from freezing in the winter. This extra water is "wasted." This chlorinated water is discharged into Belt Creek. The discharge into Belt Creek is a violation of the Montana Water Quality Act, unless a permit is obtained.

3) Because of the additional water which must be treated and run through the mains to keep the mains from freezing, the water supply may not receive adequate treatment because the treatment plant's capacity would be exceeded. Under these conditions an immediate boil order would be issued by DEQ because the Town would not have a safe water supply and could not meet water quality regulations.

Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Ranked - ABOVE AVERAGE, 600 POINTS

The DOC review engineer stated that the proposed improvements will solve much of the water system capacity problems. The water main replacement represents a complete component of the overall distribution system improvements program. Replacing the existing water mains is the most reasonable and cost effective solution to minimize water leakage and freezing potential. Replacement of the Town's shallow water mains will eliminate the need to run additional water through the mains and the resulting wasting of treated water. The Town's existing treatment plant would be able to operate within its design capacity when the new water mains are installed.

The water system currently does not have water meters. However, after this TSEP project is complete the Applicant plans to install new water service lines to houses and water meters as a third phase of upgrading the Town's water system. The application stated that Town would apply at a future date to other funding agencies, such as CDBG, for funding for the installation of water service lines and water meters.

Priority #4: BENEFITS TO PUBLIC COMPARED TO DOLLAR REQUEST

Ranked - AVERAGE, 350 POINTS

This project would result in an average benefit to the public commensurate with the amount of financial assistance requested. There are several water distribution system deficiencies that create a serious public health and safety threat, and the Town has been under a court order since 1988 to fix the problems. The amount requested per household ($3,222 per household) is moderate compared to other applications. However, the matching funds (28%) are in the lowest percentage group out of a total of four groups. In addition, the Town has done little or no capital improvements planning in order to provide public facilities and services that are adequate and cost effective. For example, the Town does not have an overall capital improvements plan and does not propose to install water meters at this time.

Priority #5: REFLECTS GREATER FINANCIAL NEED (COMPETITIVE RANKING INDICATORS)

Ranked - 461 POINTS

The adjusted score, is based on a weighted distribution of the total 600 available points for Statutory Priority #5, including Indicator #1 (relative economic condition of households) and Indicator #2 (target rate analysis).

(Lower ranking indicates greater financial need. For example, ranking 1st indicates a greatest need; ranking 40th indicates least financial need.)

Indicator 1. Household Economic Condition:

MHI	$18,750
% persons at or below LMI	53%
% persons at or below poverty	31.90%

Household Economic Condition Ranking: 10th in the field of 40 applications.

Analysis for Neihart water improvement request shows that the median income of the Town's households is $18,750 (14th lowest of 40) among applicants for the 1996-97 TSEP financing cycle and that the relative concentration of persons living at or below the levels of poverty and "low and moderate"income is 3rd and 9th. This combination of factors impacting the economic condition of the households produces a rank of 10th of the 40 applicants.

Indicator 2. Target Rate Analysis:

Existing Monthly Rate	$30.00
Variance From Target Rate	152%
Monthly Rate With No Assistance	$63.53
Variance From Target Rate	323%
Monthly Rate With Full TSEP Assistance	$30.00
Variance From Target Rate	152%

Target Rate Analysis Ranking: 5th in the field of 40 applications.

Overall Competitive Ranking: 11th in the field of 40 applications = 461 points.

Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Ranked - AVERAGE, 250 POINTS

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
TSEP	Grant	$261,028	Applied/No Decision
DNRC	Grant	$100,000	Applied/No Decision
Total		$361,028	

Matching funds (28% match) are in the lowest percentage group compared to other applications. No funds are yet committed. Most of the alternative funding sources were discussed in the application.

Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Ranked - AVERAGE, 200 POINTS

The project represents a general infrastructure improvement and would not directly result in the creation or retention of any long-term, full-time jobs. The Applicant submitted information from the Town's previous 1992 TSEP application regarding the potential for job creation. However, the Applicant did not update the old information and did not document that the potential for job creation which existed at the time of the Applicant's 1992 TSEP application is still valid for the 1996 TSEP application. Some of the information included from the 1992 application dated back to 1989. It can not be assumed that a business that might have expanded in 1989 is still so in 1996. No recent letters from businesses were included in the 1996 application.

Priority #8: ALLOWS EXPANSION OF BUSINESS

Ranked - AVERAGE, 150 POINTS

The project represents a general infrastructure improvement and would not result in the expansion of an specific business. The Applicant submitted information from it's previous 1992 TSEP application regarding the potential for job creation. However, the Applicant did not update the old information and did not document that the potential for job creation which existed at the time of the Applicant's 1992 TSEP application is still valid for the 1996 TSEP application. Some of the information included from the 1992 application dated back to 1989. It can not be assumed that a business that might have expanded in 1989 is still likely to in 1996. No recent letters from businesses were included in the 1996 application.

Priority #9: MAINTAINS TAX BASE

Ranked - AVERAGE, 100 POINTS

The project represents a general infrastructure improvement that should maintain and may even expand the tax base. No appropriate private sector alternatives to this project were identified.

Priority #10: HAS STRONG COMMUNITY SUPPORT

Ranked - MINIMAL RELATIONSHIP, ZERO POINTS

TSEP application guidelines require that the Applicant hold at least one public hearing within the 12 months prior to submitting a TSEP application. There was no documentation that the required public hearing for the 1996 TSEP application was held. The application did not document that the 1996 TSEP application has strong community support, nor that the public was informed about the 1996 proposed TSEP project. There was no evidence in the application that the Town has an overall capital improvements plan.

Total Points on 10 Priorities: 3,536 points out of 5,500 points possible.

PROJECT NO. 22
APPLICANT: CITY OF CHOTEAU

Type Of Project: WASTEWATER SYSTEM IMPROVEMENTS

Funding Sources:

TSEP REQUEST		MATCHING FUNDS	
TSEP Grant	$100,000	DNRC Grant	$100,000
		SRF Loan	$200,000
Total	$100,000		$300,000

Project Total: $400,000

Percent Of Matching Funds: 75%

Project Summary:

Problem - The City is experiencing problems with shallow groundwater infiltrating into the wastewater collection system. The excessive inflow of water exceeds the treatment capacity of the wastewater facility.

1) Groundwater infiltration into the sewer collection lines is causing raw sewage to back up into residential basements, the nursing home, several businesses, and occasionally bubbles out of manhole covers across the ground surface.
2) Excessive infiltration precludes the treatment plant from achieving the treatment requirements and effluent limitations set forth in the discharge permit.
3) Deficiencies exist in leaking service connections, cracked pipes and, pipe joints.

Proposed Solution - Rehabilitation of the existing collection system with a TV inspection will reveal areas where poor service line connections, broken or cracked pipe, and other pipeline deficiencies are allowing groundwater to enter.

Construction of a two-cell aerated lagoon system within the existing single cell facultative lagoon will provide additional storage for treated effluent for land application. The aerated lagoon needs to have a liner installed to prevent excessive seepage from the facility.

A chlorination building will be constructed to house chlorination equipment and controls.
The proposed improvements will allow the treatment plant to achieve State treatment standards and significantly reduce groundwater infiltration of the collection system.

Overall Ranking On 10 Statutory Priorities (90-6-710 (2) MCA):

The application received 3,533 out of 5,500 points possible, ranking 22nd out of 40 applications. (Refer to the 1996 Applications: Ranking Scores For Ten Statutory Priorities Chart in Part 5 of this report.)

DOC Recommendations On Financial Assistance (90-6-710 (2) MCA):

DOC does not recommend grant funding for this project because:

1) Based on the methodology used in DOC's financial analysis, the City does appear to have the financial capacity to borrow the funds requested instead of the TSEP grant. Without the TSEP grant the Applicant's combined water and wastewater rates would only be 29% of the target rate approximately $9.22 per household per month.
2) If the applicant borrowed the $100,000 requested from the TSEP, the new combined water and wastewater rates would still only be approximately 29% of the target rate. This indicates that the applicant could afford to borrow the funds requested which would result in affordable monthly rates for the citizens.
3) Analysis of the Applicant's debt capacity indicates that the Applicant has about $1,986,647 of unused borrowing capacity. This suggests that it is technically feasible for the Applicant to borrow the $110,000 requested from TSEP.

DOC recommends that a $110,000 TSEP loan, to be administered by DNRC, be awarded to the Applicant for this project instead of the grant requested. The additional $10,000 for the loan is necessary for standard loan administrative costs which the Applicant did not take into account in their funding request.

(Refer to the TSEP Financial Gap Analysis Chart/Grant Award Recommendations Chart in Part 5 of this report.)

DOC Recommended Conditions On The Project:

DOC does not recommend any conditions for this project.

Rationale For Ranking On 10 Statutory Priorities:

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority.

Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Ranked - ABOVE AVERAGE, 750 POINTS

The wastewater system experiences excessive groundwater infiltration into the collection system. Groundwater infiltration occurs throughout the community and thus a substantial portion of the residents are probably effected by the deficiency. Groundwater in this area remains relatively high throughout the year. The excess water creates operational difficulties and makes it extremely difficult to meet required treatment levels.

Wastewater flows are 12 to 15 times greater than expected levels due to broken or cracked pipes and other pipeline deficiencies which is causing groundwater to enter the collection system. The infiltration of excessive groundwater overloads the collection system and causes manholes to surcharge and raw sewage backups to occur in residential homes and several businesses. The surcharging and backups expose the public to raw sewage thus providing the potential for serious illness or disease outbreak to occur. Wastewater also bubbles out of manhole covers and runs across the ground surface.

Priority #2: MEETS HEALTH/SAFETY STANDARDS

Ranked - ABOVE AVERAGE, 675 POINTS

The proposed improvements are not necessary to comply with a court order or agency directive. The presence of raw sewage, particularly in buildings, exposes the public to the risk of illness or disease.
The application did not contain documentation that court orders are currently imposed on the facility.

Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Ranked - ABOVE AVERAGE, 600 POINTS

The DOC review engineer commented that the alternatives for the collection system were adequately analyzed, and the selected alternative seems appropriate and consistent with current engineering practices. The existing infiltration problem was well addressed by the Facility Plan as well as the alternatives. The pressure grouting repairs represent a reasonably complete solution towards reducing groundwater infiltration, although not as long term a solution as installing new mains. Given the Town's financial capacity and technology available, pressure grouting the collection mains appears to represent the most efficient, and cost effective option for resolving the severe infiltration problem. However, the preliminary engineering analysis should have included a discussion of prioritized deficiencies within the collection system should funds not allow for the entire collection system to be grouted.

Priority #4: BENEFITS TO PUBLIC COMPARED TO DOLLAR REQUEST

Ranked - ABOVE AVERAGE, 525 POINTS

This project would result in an above average benefit to the public commensurate with the amount of financial assistance requested. The amount requested per household ($99) is very low relative to other applications. There has been some effort to deal with the public facility problem by minimally increasing fees. The applicant proposes to use 75% matching funds to fund this project.

Priority #5: REFLECTS GREATER FINANCIAL NEED (COMPETITIVE RANKING INDICATORS)

Ranked - 233 POINTS

The adjusted score is based on a weighted distribution of the total 600 available points for Statutory Priority #5, including indicator #1 (relative economic condition of households) and indicator #2 (target rate analysis).

(Lower ranking indicates greater financial need. For example, ranking 1st indicates a greatest need; ranking 40th indicates least financial need.)

Indicator 1. Household Economic Condition:

MHI	$19,482
% persons at or below LMI	40 %

% persons at or below poverty 10.7%

Household Economic Condition Ranking: 25th in the field of 40 applications.

Analysis for Choteau's wastewater treatment improvement request shows that the median income of the city's households is average (18th lowest of 40) among applicants for the 1996-97 TSEP financing cycle and that the relative concentration of persons living at or below the levels of poverty and "low and moderate"income is average (35th and 24th of the 40 applicants). This combination of factors impacting the economic condition of the households produces a rank of 25th of the 40 applicants.

Indicator 2. Target Rate Analysis:

Existing Monthly Rate	$6.61
Variance From Target Rate	21%
Monthly Rate With No Assistance	$9.22
Variance From Target Rate	29%
Monthly Rate With Full TSEP Grant Assistance	$8.43
Variance From Target Rate With Grant	26%

Target Rate Analysis Ranking: 38th in the field of 40 applications.

Overall Competitive Ranking: 39th in the field of 40 applications = 233 points.

Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Ranked - AVERAGE, 250 POINTS

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
TSEP	Grant	$100,000	Applied/No Decision
DNRC	Grant	$100,000	Applied/No Decision
SRF	Loan	$200,000	No commitment
Total		400,000	

The Applicant has not applied to the SRF program, but is listed on the SRF priority funding list. The Applicant's matching funds(75% match) are in the second highest percentage group compared with other TSEP applications.

Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Ranked - AVERAGE, 200 POINTS

The project represents a general infrastructure improvement and would not directly result in the creation or retention of long-term, full-time jobs.

Priority #8: ALLOWS EXPANSION OF BUSINESS

Ranked - AVERAGE, 150 POINTS

The project represents a general infrastructure improvement and would not directly result in the expansion of a specific business.

Priority #9: MAINTAINS TAX BASE

Ranked - AVERAGE, 100 POINTS

The project represents a general infrastructure improvement that should protect and may even expand the tax base. No appropriate private sector alternatives were identified.

Priority #10: HAS STRONG COMMUNITY SUPPORT

Ranked - AVERAGE, 50 POINTS

The Applicant was unclear about the level of public involvement regarding the proposed project. A public meeting was held to discuss the project. The application did not contain the meeting minutes or list of attendees. The application did provide documentation of newspaper articles covering the proposed project and costs.

Total Points on 10 Priorities: 3,533 points out of 5,500 points possible.

PROJECT NO. 23
APPLICANT: MINERAL COUNTY/SALTESE COUNTY WATER AND SEWER DISTRICT

Type Of Project: **WASTEWATER COLLECTION AND DISPOSAL SYSTEM**

Funding Sources:

TSEP REQUEST		MATCHING FUNDS	
TSEP Grant	$500,000	RD Grant	$182,723
		TSEP Loan	$ 76,277
Total	$500,000		$259,000

Project Total: $759,000

Percent Of Matching Funds: 34% (TSEP Hardship Grant Request - Less than 50% match)

Project Summary:

Problem - The unincorporated community of Saltese is currently using individual septic or cess pool systems, in addition to, shallow on-site individual wells. There is considerable potential for contamination of the ground water and the St. Regis River.

Proposed Solution - The proposed project would involve constructing a small diameter sewer (STEP) collection system which is composed of individual septic tanks with pumps or gravity flow into a small diameter collection system, two lift stations, and treatment in subsurface absorption fields.

Overall Ranking On 10 Statutory Priorities (90-6-710 (2) MCA):

The application received 3,509 points out of 5,500 points possible, ranking 23rd out of 40 applications. (Refer to the 1996 Applications: Ranking Scores For Ten Statutory Priorities Chart in Part 5 of this report.)

DOC Recommendations On Financial Assistance (90-6-710 (2) MCA):

DOC does not recommend funding for this project because:

1) As a result of an inadequate financial package being prepared for this project, the amount requested per household is $20,000, or four times the maximum limit of $5,000 per household, and this is not in accordance with the TSEP guidelines.
2) A more realistic and complete financial package will require a considerable amount of grant funding from multiple funding sources, in order to make the monthly rates affordable to the ratepayers, and so as not to place as great a reliance on TSEP to fund this project.
3) In addition, a legally created county water and sewer district has not yet been formed, and there is no indication that the local citizens have been informed of the costs of this project.

(Refer to the TSEP Financial Gap Analysis/Grant Award Recommendations Chart in Part 5 of this report.)

DOC Recommended Conditions On The Project:

If this project is selected for funding, DOC recommends the following conditions on the project:

1) The Saltese County Water and Sewer District will need to be properly formed in accordance with state law before DOC signs a contract with the District.
2) The District must conduct a public hearing in order to inform the users of the system about the cost of the project, including the estimated cost per household.

Rationale For Ranking On 10 Statutory Priorities:

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority.

Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Ranked - ABOVE AVERAGE, 750 POINTS

This is clearly a deficiency that potentially can result in serious illness and environmental pollution. The unincorporated community of Saltese does not have a central wastewater collection system. The community has 30 individual residential and commercial septic or cess pool systems. The majority of these are within the 100 year floodplain. All drinking water is obtained from individual wells from groundwater that is 5 to 15 feet below the ground surface. While no contamination has been documented, there is a strong potential for the ground water beings contaminated, and if not now, then at some point in the future. The untreated sewage can easily migrate and contaminate the individual drinking wells and migrate through the porous soils and contaminate the groundwater. There is clearly the strong potential for serious illness and environmental pollution. This response was not ranked "Best" because there is no documentation from the state substantiating the seriousness of the deficiency.

Priority #2: MEETS HEALTH/SAFETY STANDARDS

Ranked - ABOVE AVERAGE, 675 POINTS

While the deficiencies are clearly a violation of standards and there is the strong potential for serious illness and environmental pollution, the response was not ranked "Best" because there was no documentation from the state substantiating the seriousness of the deficiency.

Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Ranked - BEST, 800 POINTS

The analysis thoroughly evaluated the various alternatives and the DOC review engineer concurs that the selected alternative represents the most efficient, appropriate, and cost-effective option.

Priority #4: BENEFITS TO PUBLIC COMPARED TO DOLLAR REQUEST

Ranked - BELOW AVERAGE, 175 POINTS

This project would result in a below average benefit to the public commensurate with the amount of financial assistance requested. There is a significant health threat and the project provides an appropriate solution.

However, even though the Applicant would likely meet the guidelines for exceeding the $5,000 limit per household, the Applicant exceeds the limit by four times ($20,000), an excessive amount. In addition, matching funds (34%) are extremely low. The proposed funding package is clearly not appropriate. Furthermore, there was no discussion of comprehensive planning efforts by the County to provide public facilities and services that are adequate and cost effective.

Priority #5: REFLECTS GREATER FINANCIAL NEED (COMPETITIVE RANKING INDICATORS)

Ranked - 534 POINTS

The adjusted score is based on a weighted distribution of the total 600 available points for Statutory Priority #5, including indicator #1 (relative economic condition of households) and indicator #2 (target rate analysis).

(Lower ranking indicates greater financial need. For example, ranking 1st indicates a greatest need; ranking 40th indicates least financial need.)

Indicator 1. Household Economic Condition:

MHI	$18,077
% persons at or below LMI	56%
% persons at or below poverty	14%

Household Economic Condition Ranking: 14th in the field of 40 applications.

Analysis for Saltese's wastewater system request shows that the median income of the community's households is relatively low (12th lowest of 40) among applicants for the 1996-97 TSEP financing cycle and that the relative concentration of persons living at or below the levels of poverty and "low and moderate" income is high to average (23rd and 6th of the 40 applicants). This combination of factors impacting the economic condition of the households produces a rank of 14th of the 40 applicants.

Indicator 2. Target Rate Analysis:

Existing Monthly Rate	No System Currently
Variance From Target Rate	
Monthly Rate With No Assistance	$212.93
Variance From Target Rate	1,962%
Monthly Rate With Full TSEP Assistance	$39.50
Variance From Target Rate	364%

Target Rate Analysis Ranking: 1st in the field of 40 applications.

Overall Competitive Ranking: 3rd in the field of 40 applications = 534 points

Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Ranked - BELOW AVERAGE, 125 POINTS

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
TSEP	Grant	$500,000	Applied/No Decision
TSEP	Loan	$76,277	Applied/No Decision
RD	Grant	$182,723	No Application Submitted
Total		$759,000	

The Applicant proposes to use only 34% matching funds in order to fund this project. While the Applicant would likely meet the guidelines for requesting a hardship grant, the Applicant did not adequately analyze the potential funding options to achieve a proper mix of funding. Because of the high cost to complete this project relative to the low number of hook-ups, this project would need a high amount of grant funds from multiple funding sources to make it affordable and so as not to place an excessive reliance on TSEP to fund this project. The CDBG, DNRC and SRF programs, along with TSEP and RD, would be good sources of funding for this project. The Applicant has not adequately analyzed the potential funding sources or seriously attempted to apply to all of the sources of funds that would probably be required to fund this project properly. The Applicant discussed CDBG grants, RD grants and loans, and SRF loans. The reason for not applying to CDBG was because they missed the application date which was approximately 15 days before the TSEP application date. RD funding is generally not provided just in grant form (a grant/loan package is the norm) and this option was not discussed. The SRF program would also be a good source of loan funds, but MDEQ has not been approached concerning the problem. The Applicant indicated that the reason for not applying to SRF was because the term is only 20 years, but this is the same term under TSEP.

Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Ranked - AVERAGE, 200 POINTS

The project represents a general infrastructure improvement and would not directly result in the creation or retention of long-term, full-time jobs.

Priority #8: ALLOWS EXPANSION OF BUSINESS

Ranked - AVERAGE, 150 POINTS

The project represents a general infrastructure improvement and would not directly result in the expansion of a specific business.

Priority #9: MAINTAINS TAX BASE

Ranked - AVERAGE, 100 POINTS

The project represents a general infrastructure improvement that should protect and may even expand the tax base. No appropriate private sector alternatives were identified.

Priority #10: HAS STRONG COMMUNITY SUPPORT

Ranked - MINIMAL RELATIONSHIP, ZERO POINTS

There was no discussion or documentation provided indicating that the Applicant held any hearings or meetings, or informed the public about the project. TSEP guidelines require that applicants conduct at least one public hearing or meeting to inform the public about the proposed project.

Total Points on 10 Priorities: 3,509 points out of 5,500 points possible.

PROJECT NO. 24
APPLICANT: CORAM WATER & SEWER DISTRICT

Type Of Project: WATER SYSTEM IMPROVEMENTS

Funding Sources:

TSEP REQUEST		MATCHING FUNDS	
TSEP Grant	$500,000	CDBG Grant	$400,000
		TSEP Loan	$153,722
Total	$500,000		$553,722

Project Total: $1,053,722

Percent Of Matching Funds: 53%

Project Summary:

Problem - The District's existing water supply (Blue Lake Spring) may be classified as groundwater under the influence of surface water. The Coram Water District has questionable water rights regarding use of Blue Lake Spring.

The distribution system is deficient in several areas due to age and undersized mains and service lines for current use. The distribution mains and individual service lines experience significant leakage, as much as a 300% loss. The existing distribution mains do not allow adequate pressure or flows, particularly for fire suppression.

1) The existing water supply may be subject to surface contamination and may not meet state and federal standards,
2) distribution mains and individual service lines experience significant leakage of over 20 million gallons a year,
3) the current system provides inadequate volumes of water and flows for fire suppression.

Proposed Solution - The proposed project will provide a new groundwater source to replace the existing Blue Lake Spring. A test well and two production wells will be drilled and developed. Existing mains smaller than 4" will be replaced with 6 and 8 inch PVC mains. New gate valves, fire hydrants and appurtenances will be constructed along with new mains. New water services will be constructed along with meter pits at the property lines for placement of water meters.

Overall Ranking On 10 Statutory Priorities (90-6-710 (2) MCA):

The application received 3,410 out of 5,500 points possible, ranking 24th out of 40 applications. (Refer to the 1996 Applications: Ranking Scores For Ten Statutory Priorities Chart in Part 5 of this report.)

DOC Recommendations On Financial Assistance (90-6-710 (2) MCA):

DOC recommends funding for this project because:

1) Based on the methodology used in DOC's financial analysis, the Applicant does not appear to have the financial capacity to borrow the funds requested as an alternative to receiving a TSEP grant. This is an affordability problem.
2) Without the TSEP grant, the water rates charged to household would be 542% of the target rate, which indicates an extreme affordability problem for the ratepayers. The monthly water rate would be $75.01 per month per household without the TSEP grant.

DOC recommends $500,000 in TSEP grant funds and a $170,000 loan, to be administered by DNRC, be awarded to the Applicant for this project. The original loan request of $153,722 has been increased by an additional $16,278 cover standard loan administrative costs which the Applicant did not take into account in their funding request.

(Refer to the TSEP Financial Gap Analysis/Grant Award Recommendations Chart in Part 5 of this report.)

Recommended Conditions Of The Project:

DOC does recommend two conditions for this project:

1) The Applicant must provide supplemental engineering information to DOC including a detailed analysis addressing the surface water influence determination in order to substantiate the existing deficiencies with the water supply. No serious illness or health threat has been directly tied to the identified deficiencies.
2) The final well must be discussed in detail in the supplemental engineering information. The contact time values associated with the future disinfection rule must be addressed. This may have an impact on the final location of the two new wells and transmission mains and correspondingly the associated cost estimates. A detailed hydro geologic discussion specific to the proposed wells must be provided.

Rationale For Ranking On 10 Statutory Priorities:

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority.

Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Ranked - ABOVE AVERAGE, 750 POINTS

The DOC review engineer commented that the distribution mains and individual services experience significant leakage, as much as 300% loss. This loss results in increased pumping costs and maintenance costs. The existing distribution mains do not allow adequate pressure or flows, particularly for fire suppression.

The Applicant described potential deficiencies exist with the system's water supply (Blue Lake Spring). The Blue Lake spring is suspect of surface water influence. DHES has noted the likelihood of surface water influence. The DEQ was contacted regarding the Coram water system and were unaware of any serious problems, but did acknowledge the potential for problems with Blue Lake Spring. The DOC review engineer recommends that a detailed analysis addressing the surface water influence determination should be performed. Depending on the source of contamination, serious illness or disease outbreak may result, particularly since the water is not currently disinfected.

Priority #2: MEETS HEALTH/SAFETY STANDARDS

Ranked - ABOVE AVERAGE, 675 POINTS

The application contains no clear documentation that the water supply violates a State or Federal health or safety standard. A letter from the Department of Health and Environmental Safety warns of the high likelihood of surface water influence and recommends that the system plan to address the issue.

Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Ranked - AVERAGE, 400 POINTS

The proposed project known as Phase I will eliminate the existing and potential problems associated with the spring. Two wells will be put into service, allowing for a backup source. The substandard, mains will be replaced and new mains will provide for adequate fire flows and domestic pressures and quantities. All service lines will be replaced and meter pits placed at the property line. The proposed project will not completely resolve the total needs of the water system. However it does represent a complete component of an overall plan. Phases II and III are not discussed in detail. Further discussion should have been presented along with detailed cost estimates in order that the District can continue plans for upgrading the system in the future.

Priority #4: BENEFITS TO PUBLIC COMPARED TO DOLLAR REQUEST

Ranked - AVERAGE, 350 POINTS

This project would result in an above average benefit to the public commensurate with the amount of financial assistance requested. There is a significant health and safety threat that would partly be eliminated.

The Applicant has requested the equivalent of $5,681 in TSEP funds per residential user, which ranked 36th of 38, the third highest TSEP request of benefit/assistance per household. The Applicant did not provide any justification for exceeding the $5,000 limit per household. The District's matching funds of 53% are in the third highest percentage group compared with other applicants.

Priority #5: REFLECTS GREATER FINANCIAL NEED (COMPETITIVE RANKING INDICATORS)

Ranked - 510 POINTS

The adjusted score is based on a weighted distribution of the total 600 available points for Statutory Priority #5, including indicator #1 (relative economic condition of households) and indicator #2 (target rate analysis).

(Lower ranking indicates greater financial need. For example, ranking 1st indicates a greatest need; ranking 40th indicates least financial need.)

Indicator 1. Household Economic Condition:

MHI	$13,167
% persons at or below LMI	63 %
% persons at or below poverty	36.6%

Household Economic Condition Ranking: 1st in the field of 40 applications.

Analysis for Coram's water treatment improvement request shows that the median income of the City's households is very low (2nd lowest of 40) among applicants for the 1996-97 TSEP financing cycle and that the relative concentration of persons living at or below the levels of poverty and "low and moderate"income is relatively high (2nd and 3rd of the 40 applications). This combination of factors impacting the economic condition of the households produces a rank of 1st of the 40 applicants.

Indicator 2. Target Rate Analysis:

Existing Monthly Rate	$20.00
Variance From Target Rate	145%
Monthly Rate With No Assistance	$75.01
Variance From Target Rate	542%
Monthly Rate With Full TSEP Assistance	$23.30
Variance From Target Rate	168%

Target Rate Analysis Ranking: 5th in the field of 40 applications.

Overall Competitive Ranking: 4th in the field of 40 applications = 510 points.

Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Ranked - AVERAGE, 250 POINTS

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
TSEP	Grant	$500,000	Applied/No Decision
TSEP	Loan	$153,722	Applied/No Decision
CDBG	Grant	$400,000	Applied/No Decision
Total		$1,053,722	

Matching funds (53% match) are not committed to this project. The Applicant has discussed alternative funding sources. Without TSEP participation, the project would not be financially feasible for the Town of Coram. Matching funds are in the third highest percentage group as compared to other TSEP applicants. The amount of TSEP funds requested is just above the $5,000 limit per household.

Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Ranked - AVERAGE, 200 POINTS

The project represents a general infrastructure improvement and would not directly result in the creation or retention of long-term, full-time jobs.

Priority #8: ALLOWS EXPANSION OF BUSINESS

Ranked - AVERAGE, 150 POINTS

The project represents a general infrastructure improvement and would not directly result in the expansion of a specific business.

Priority #9: MAINTAINS TAX BASE

Ranked - AVERAGE, 100 POINTS

The project represents a general infrastructure improvement that should protect and may even expand the tax base. No appropriate private sector alternatives were identified.

Priority #10: HAS STRONG COMMUNITY SUPPORT

Ranked - BELOW AVERAGE, 25 POINTS

The application indicated that the public had been informed of the project through various meetings and District wide publicity, but lacked documentation to demonstrate that the District's residents are in support of the project. The application indicates that the Flathead County Commissioners have assessed the County's public facility needs and established this project as the highest priority. The application lacked documentation that demonstrated the public facility needs assessment.

Total Points on 10 Priorities: 3,410 points out of 5,500 points possible.

PROJECT NO. 25
APPLICANT: CITY OF LIVINGSTON

Type Of Project: WATER SYSTEM IMPROVEMENTS

Funding Sources:

TSEP REQUEST		MATCHING FUNDS	
TSEP Grant	$276,750	City Cash	$277,750
Total	$ 276,750		$277,750

Project Total: $554,500

Percent Of Matching Funds: 50%

Project Summary:

Problem - A multi-block area in the City of Livingston has some water distribution deficiencies that results in a fire flow problem. The deficiencies include:

1) outdated and undersized water mains;
2) outdated water values and hydrants;
3) inadequate fire flow capacity for Washington School; and
4) unacceptably high water pressures which are hazardous when water mains break.

Proposed Solution - The proposed project will replace approximately 3,000 lineal feet of water mains, 14 valves, and 29 fire hydrants.

Overall Ranking On 10 Statutory Priorities (90-6-710 (2) MCA):

The application received 3,263 out of 5,500 points possible, ranking 25th out of 40 applications. (See the 1996 Applications: Ranking Scores For Ten Statutory Priorities Chart in Part 5 of this report.)

DOC Recommendations On Financial Assistance (90-6-710 (2) MCA):

DOC does not recommend grant funding for this project because:

1) If the Applicant borrowed the $276,750 that is being requested from TSEP, the new combined water and wastewater rates would only be about 81% of the target rate. This suggests that if the Applicant borrowed the funds requested, the resulting combined monthly rates would be reasonably affordable for the citizens.
2) Analysis of the Applicant's debt capacity indicates that the City has about $1,468,509 of unused borrowing capacity. The Applicant also has an additional $1,500,000 debt capacity allowance that DOC provided as a "margin" available for the Applicant to meet future water system repair needs and for emergencies. This suggests it is technically feasible for the Applicant to borrow the $276,750 from TSEP.

DOC recommends that a $300,000 TSEP loan, to be administered by DNRC, be awarded to the Applicant for this project instead of the TSEP grant requested. (The original request of $276,750 has been increased by an additional $23,250 -- for a total of $300,000 for the loan. The additional funds are necessary for standard loan administrative costs which the Applicant did not take into account in their funding request.)

(See the TSEP Financial Gap Analysis/Grant Award Recommendations Chart in Part 5 of this report.)

DOC Recommended Conditions On The Project:

No conditions are being recommended for this project.

Rationale For Ranking On 10 Statutory Priorities:

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority.

Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Ranked - AVERAGE, 500 POINTS

This water project is designed to address fire flow deficiencies with the City's water mains. There is no water quality problem which would be addressed by this project. The application did not provide any written documentation from state or federal agencies to substantiate the degree or magnitude of any threats to public health or safety caused by the fire flow deficiencies with the water mains. The application did describe the fire flow deficiencies based on the private Insurance Services Office (ISO) recommended standards. There is some danger to City water system work crews when they replace ruptured water lines because of the abnormally high water pressure in the lines.

The DOC review engineer stated that the application was ranked "average" for the following principle reasons:

1) The limited fire flow capabilities at the school and bulk fuel plant may constitute a safety hazard to occupants, workers, and emergency personnel. However, schools have evacuation plans and occupancy is during the day, therefore, danger to the public is mitigated and it is considered an average safety threat. Because schools have evacuation plans, the loss of life from a fire is unlikely.
2) The potential loss of the school to fire is considered a loss of a critical service which would create a hardship on the community.
3) Fire at the bulk fuel plant is considered a safety hazard due to the stored fuel. The threat would be mainly be to emergency personnel and plant workers. No significant threat to the general population or main developed area of the city is apparent.

Priority #2: MEETS HEALTH/SAFETY STANDARDS

Ranked - AVERAGE, 450 POINTS

The application did not provide any written documentation from state or federal agencies to substantiate a violation of state and federal regulations or health standards due to the existing fire flow deficiency with the water mains. The application described the fire flow deficiencies based on the private Insurance Services Office (ISO) recommended standards. The school and the bulk fuel plant do not conform to the private ISO standards for fire flow. The DOC review engineer ranked the application "average" for the following principle reasons:

1) The ISO standards for fire flow are deficient at the school and the bulk fuel plant. However, this situation is typical in many communities throughout the state. Deficiency of fire flow is not in itself a "serious" issue but must be considered along with type of construction, density of development, and other factors.
2) The project represents a long term solution to the fire flow problem.
3) The proposed improvements are a complete component to an overall program to bring the water system up to current ISO standards.

Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Ranked - BEST, 800 POINTS

The DOC review engineer stated that the problem was well defined. The distribution system was modeled and alternatives to improve fire flow to deficient areas were identified and adequately analyzed. The selected engineering alternative is appropriate and would provide immediate improvement in fire flow. With the proposed improvements, fire flow at the school would exceed ISO recommendations. The project area already has water meters installed on all services. The cost of the proposed improvements appear reasonable. The order of the recommended priorities appear to be in the order which will provide the greatest level of improvement in system fire flows. All significant questions relating to the engineering analysis have been adequately covered by the Applicant.

Priority #4: BENEFITS TO PUBLIC COMPARED TO DOLLAR REQUEST

Ranked - ABOVE AVERAGE, 525 POINTS

This project will result in an above average benefit to the public commensurate with the amount of financial assistance requested. The application is ranked "average" as to health threat (TSEP Statutory Priority#1) and "average" as to compliance with state and federal standards (TSEP Statutory Priority #2). The application was ranked "best" as to cost effective technical design (TSEP Statutory Priority #3).

However, the amount of TSEP funds per household is low compared to other applicants. The amount per household is $100.16. The proposed match (50%) is in the third highest percentage group out of a total of four groups. Also, there is above average documentation of the City's capital improvement planning, water system budgeting, and accumulation of reserves.

Priority #5: REFLECTS GREATER FINANCIAL NEED (COMPETITIVE RANKING INDICATORS)

Ranked - 238 POINTS

The adjusted score, based on a weighted distribution of the total 600 available points for Statutory Priority #5, including Indicator #1 (relative economic condition of households) and Indicator #2 (target rate analysis).

(Lower ranking indicates greater financial need. For example, ranking 1st indicates a greatest need; ranking 40th indicates least financial need.)

Indicator 1. Household Economic Condition:

MHI	$20,208
% persons at or below LMI	41%
% persons at or below poverty	16.50%

Household Economic Condition Ranking: 23rd in the field of 40 applications.

Analysis for Livingston's water system improvement request shows that the median income of the City's households is $20,208 (24th lowest of 40) among applicants for the 1996-97 TSEP financing cycle and that the relative concentration of persons living at or below the levels of poverty and "low and moderate"income is 17th and 21st. This combination of factors impacting the economic condition of the households produces a rank of 23rd of the 40 applicants.

Indicator 2. Target Rate Analysis:

Existing Monthly Rate	$26.18
Variance From Target Rate	79%
Monthly Rate With No Assistance	$26.84
Variance From Target Rate	81%
Monthly Rate With Full TSEP Grant Assistance	$26.18
Variance From Target Rate With Grant	79%

Target Rate Analysis Ranking: 38th in the field of 40 applications.

Overall Competitive Ranking: 38th in the field of 40 applications = 238 points.

Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Ranked - AVERAGE, 250 POINTS

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
TSEP	Grant	$276,750	Applied/No Decision
City of Livingston	Cash	$277,750	Committed
Total		$554,500	

The Applicant proposes 50% matching funds and stated that the funds are currently committed. The application did not discuss alternative sources of funding the project, such as RD funds or DNRC funds.

Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Ranked - AVERAGE, 200 POINTS

The project represents a general infrastructure improvement and would not directly result in the creation or retention of any long-term, full-time jobs. In response to this priority, the Applicant stated that Livingston is a quickly growing tourist area as indicated by the success at recently constructed hotels. It also serves as a stop-over point for tourists going to Yellowstone Park. Frequent water main ruptures and lack of adequate fire protection are not conducive to a tourist town.

Priority #8: ALLOWS EXPANSION OF BUSINESS

Ranked - AVERAGE, 150 POINTS

The project represents a general infrastructure improvement and would not directly result in the expansion of a specific business. The Applicant stated that the proposed improvements would provide fire protection for an existing business. However, the Applicant provided no documentation, such as a letter from the business nor a business plan, that the business would expand as a direct result of the TSEP water improvement project.

Priority #9: MAINTAINS TAX BASE

Ranked - AVERAGE, 100 POINTS

The project represents a general infrastructure improvement and should maintain and may even expand the tax base.

Priority #10: HAS STRONG COMMUNITY SUPPORT

Ranked - AVERAGE, 50 POINTS

A public hearing was held in June, 1996. Minutes of the hearing were submitted but they were brief. There were no newspaper articles about the proposed TSEP project in the application. No water rate increase due to the proposed TSEP project is anticipated. The City has a new CIP which was adopted on June 3, 1996.

Total Points on 10 Priorities: 3,263 points out of 5,500 points possible.

PROJECT NO. 26
APPLICANT: LINCOLN/LEWIS & CLARK COUNTY SEWER DISTRICT

Type Of Project: **WASTEWATER TREATMENT & DISPOSAL**

Funding Sources:

TSEP REQUEST		MATCHING FUNDS	
TSEP Grant $235,325		CDBG Grant	$186,494
		DNRC Grant	$ 15,000
		Lincoln Grant	$ 58,831
Total	$235,325		$260,325

Project Total: $495,500

Percent Of Matching Funds: 52%

Project Summary:

Problem -

1) The Lincoln wastewater lagoon capacity was exceeded in March 1996. Lagoon levels were within 6 to 8 inches if the top of the dike and may result in catastrophic failure of the lagoon(s). Flood irrigation was required to lower the lagoon levels to protect the lagoon structure.
2) Failure or overflowing of the lagoons would endanger the public if wastewater were to reach surface water.

Proposed Solution - The proposed project will rehabilitate the existing pump stations, construct a facultative lagoon, an additional storage pond, and expand the land application system serving the Lincoln community.

Overall Ranking On 10 Statutory Priorities (90-6-710 (2) MCA):

The application received 3,249 out of 5,500 points possible, ranking 26th out of 40 applications. (Refer to the 1996 Applications: Ranking Scores For Ten Statutory Priorities Chart in Part 5 of this report.)

DOC Recommendation On Financial Assistance (90-6-710 (2) MCA):

DOC does not recommend funding for this project because:

The Applicant has not adequately identified and documented the deficiencies in the collection system. Given the low incomes in the community, this increases the importance of assuring that the technical solution selected will provide the most cost effective solution possible. According to the DOC review engineer, a detailed infiltration and inflow (I & I) analysis could identify the sources of the dramatic increase in system flows. Resolving the inflow problems could be far less costly than expanding the capacity of the wastewater lagoons to treat the increased volume of wastewater.

(Refer to the TSEP Financial Gap Analysis/Grant Award Recommendations Chart in Part 5 of this report.)

Recommended Conditions For This Project:

DOC recommends that the Applicant:

1) Complete a thorough I&I evaluation. Determine new plant design capacity based on reasonable I&I reductions.
2) Obtain a determination whether the original land application permit will be grandfathered.
3) Verify land is available for effluent disposal. Obtain purchase agreement or long term lease agreement.
4) Re-evaluate the project for the most economic alternative.

Rationale For Ranking On 10 Statutory Priorities:

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority.

Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Ranked - BEST, 1000 POINTS

1) Flows in the lagoons exceeded safe levels in early 1996. The high wastewater flows were attributed to extreme weather and area growth. If the same conditions occur, the lagoons may exceed capacity. The problem is categorized as "existing and potential".

2) Failure or overflowing of the lagoons would endanger public health if wastewater were to reach surface water.

3) Loss of sewer service to the community represents a serious threat to public health.

Priority #2: MEETS HEALTH/SAFETY STANDARDS

Ranked - ABOVE AVERAGE, 675 POINTS

The Sewer District was able to flood irrigate the disposal area in 1996 to lower the level of the storage lagoon. In the future, this operational flexibility will give the District a method to insure the storage lagoon does not overflow.

The engineering report or enclosed State inspection reports did not indicate previous severe capacity problems. Infiltration and inflow (I&I) is suspect if the higher flows cannot be documented due to more users. The proposed improvements for treatment and storage address the capacity problem and provide a long term solution. Actual plant design capacity should be adjusted to reflect finding of the infiltration and inflow investigation. I&I should be thoroughly investigated.

The current irrigation system may need to be upgraded to meet current standards according to the Montana EPA. The land application issues are critical to the project.

The project was not rated a "Best" because the project does not appear to thoroughly identify and address the problem.

Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Ranked - BELOW AVERAGE, 200 POINTS

Expansion of the existing plant and disposal system may be the most efficient and cost effective option. However, elimination of I&I may extend the life of the current system. Additional evaluation is needed to verify design plant capacity and required area for irrigation disposal if plant expansion is necessary after reducing I&I. Determination of the most reasonable alternative should be based on the revised estimates.

It is difficult to determine if the most economical option has been proposed. Changes in the project related to land application may significantly alter the proposed alternative. Hydraulic loading capacity of the disposal site soils were not considered in the report. Hydraulic loading may be the limiting factor in design. The scope and cost of the project may vary significantly due to the land application issues discussed.

Priority #4: BENEFITS TO PUBLIC COMPARED TO DOLLAR REQUEST

Ranked - BELOW AVERAGE, 175 POINTS

The proposed project may not result in a benefit to the public commensurate with the amount of financial assistance requested. According to DOC's review engineer, it appears that the Applicant may not have selected the most cost-effective technical solution by proposing to expand the sewage treatment facility. The DOC engineering review suggests that a thorough infiltration and inflow study must be completed to determine the most appropriate solution. Resolution of the inflow problems could be a far less costly solution than expanding the capacity of the District's lagoons to treat the increase volume of wastewater.

Priority #5: REFLECTS GREATER FINANCIAL NEED (COMPETITIVE RANKING INDICATORS)

Ranked - 574 POINTS

The adjusted score is based on a weighted distribution of the total 600 available points for Statutory Priority #5, including indicator #1 (relative economic condition of households) and indicator #2 (target rate analysis).

(Lower ranking indicates greater financial need. For example, ranking 1st indicates a greatest need; ranking 40th indicates least financial need.)

Indicator 1. Household Economic Condition:

MHI	$16,250
% persons at or below LMI	72%
% persons at or below poverty	22%

Household Economic Condition Ranking: 3rd in the field of 40 applications.

Analysis for Lincoln's wastewater treatment improvement request shows that the median income of the District's households is relatively low (8th lowest of 40) among applicants for the 1996-97 TSEP financing cycle and that the relative concentration of persons living at or below the levels of poverty and "low and moderate"income is relatively high (9th and 1st of the 40 applicants). This combination of factors impacting the economic condition of the households produces a rank of 3rd of the 40 applicants.

Indicator 2. Target Rate Analysis:

Existing Monthly Rate	$24.38
Variance From Target Rate	250%
Monthly Rate With No Assistance	$29.88
Variance From Target Rate	306%
Monthly Rate With Full TSEP Assistance	$25.28
Variance From Target Rate	259%

Target Rate Analysis Ranking: 1st in the field of 40 applications.

Overall Competitive Ranking: 1st in the field of 40 applications = 574 points.

Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Ranked - BELOW AVERAGE, 125 POINTS

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
TSEP	Grant	$235,325	Applied/No Decision
CDBG	Grant	$186,494	Applied/No Decision
DNRC	Grant	$ 15,000	Applied/No Decision
Local	Grant	$ 58,831	Committed
Total		$495,500	

The financing package proposed would be funded with 88% grant funds, and not require a rate increase in sewer rates for the citizens. The Applicant's matching funds (52% match) are in the third highest percentage group compared with other Applications. The application did not discuss SRF program as an alternative source of funding. The District is proposing to use matching funds from their reserve account. It appears that the District may be improperly committing funds from their reserve account to the construction project that should instead be available for bond coverage on a previous debt for the original sewer project.

Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Ranked - AVERAGE, 200 POINTS

The project represents a general infrastructure improvement which may result in the creation or retention of long-term, full-time jobs. The impact on job creation is indirect.

Priority #8: ALLOWS EXPANSION OF BUSINESS

Ranked - AVERAGE, 150 POINTS

The proposed project will not result in a specific business expansion. The project represents a general infrastructure improvement. The impact on job creation and business expansion is indirect.

Priority #9: MAINTAINS TAX BASE

Ranked - AVERAGE, 100 POINTS

The project represents a general infrastructure improvement. No appropriate private sector alternatives were identified.

Priority #10: HAS STRONG COMMUNITY SUPPORT

Ranked - AVERAGE, 50 POINTS

The council has held several public meetings during the development of the plan. The attendance list and minutes of the meetings provided documentation that an increase in residential rates were explained to local citizens in attendance.

Total Points on 10 Priorities: 3,249 points out of 5,500 points possible.

PROJECT NO. 27
APPLICANT: CHOUTEAU COUNTY/HIGHWOOD WATER AND SEWER DISTRICT

Type Of Project: **WATER AND WASTEWATER SYSTEM IMPROVEMENTS**

Funding Sources:

TSEP REQUEST		MATCHING FUNDS	
TSEP Grant	$420,000	CDBG Grant	$ 400,000
		DNRC Grant	$ 80,000
		DNRC Loan	$ 106,321
		MDT Grant	$ 40,000
		SRF Loan	$ 326,792
		District Cash	$ 90,008
Total	$420,000		$1,043,121

Project Total: $1,463,121

Percent Of Matching Funds: 72%

Project Summary:

Problem - The Highwood water system has some deficiencies that results in low water pressures, thereby creating a fire flow problem. The deficiencies include:

1) there is only one fire hydrant,
2) insufficient water storage capacity,
3) undersized distribution lines,
4) dead-end distribution lines,
5) lead pipe services, and
6) the chlorination system does not provide sufficient contact time during peak demand.

The Highwood wastewater treatment facility also has some deficiencies that results in Highwood regularly exceeding its discharge permit limitations, and at times discharging raw sewage directly into Highwood Creek. The deficiencies include:

1) a package treatment plant near the end of its design life and achieving only 30 to 60 percent of the required treatment levels, and
2) lack of standby power for the treatment plant.

Proposed Solution - The proposed water system project would involve replacing approximately 15,800 feet of undersized water mains, installing 22 fire hydrants, installing 90 water meters, installing a new chlorination system, and constructing a 50,000 gallon water storage tank.

The proposed wastewater treatment project would involve constructing a new facultative lagoon wastewater treatment facility. The DOC review engineer commented that the engineering design for the wastewater treatment plan is deficient in several aspects and does not meet MDEQ standards. A revised design was

subsequently provided to DOC, but it has not been reviewed by the DOC review engineer to determine if it would meet MDEQ standards.

Overall Ranking On 10 Statutory Priorities (90-6-710 (2) MCA):

The application received 3,249 points out of 5,500 points possible, ranking 27th out of 40 applications. (Refer to the 1996 Applications: Ranking Scores For Ten Statutory Priorities Chart in Part 5 of this report.)

Note: Because of errors and omissions in the original preliminary engineering plans, the Applicant submitted a revised preliminary engineering design and budget on July 26, 1996, with higher costs projected. Since this information was submitted several weeks after the application deadline and to assure fairness to other TSEP applicants, the revised preliminary engineering was not accepted by TSEP for ranking purposes. However, the financial analysis took into consideration the higher costs projected for the community in order to reflect the reality of the community's financial situation.

DOC Recommendations On Financial Assistance (90-6-710 (2) MCA):

DOC does recommend funding for this project because:

1) Based on the methodology used in DOC's financial analysis, the Applicant does not appear to have the financial capacity to borrow the funds requested as an alternative to receiving a TSEP grant. This is an affordability problem.
2) Without the TSEP grant, the combined water and wastewater rates charged to households would be 284% of the target rate, which indicates an extreme affordability problem for the ratepayers. With the TSEP grant, the combined water and wastewater rates charged to households will be 184% of the target rate, which still indicates an affordability problem for the ratepayers.
3) Thus, DOC recommends $420,000 in TSEP grant funds for this project.

(Refer to the TSEP Financial Gap Analysis/Grant Award Recommendations Chart in Part 5 of this report.)

DOC Recommended Conditions On The Project:

If this project is selected for funding, DOC recommends the following conditions on the project:

1) DOC will need to review the revised design for the new facultative lagoon wastewater treatment facility, in conjunction with MDEQ, to ensure that the revised project and its cost estimates are in compliance with the TSEP application guidelines and MDEQ standards; and
2) The Highwood Water and Sewer District will need to be properly formed in accordance with state law before DOC signs a contract with the District.

Rationale For Ranking On 10 Statutory Priorities:

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority.

Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Ranked - ABOVE AVERAGE, 750 POINTS

Each of the two systems were ranked individually and averaged based on the percent of total costs. The water system improvements will be approximately 59% and the wastewater system project will be approximately 41% of the total costs.

The water system was ranked "Above Average" because there are serious deficiencies primarily associated with fire flow that create a health threat to the entire community. However, not all of the deficiencies are continual and no documentation was provided demonstrating the elevated lead levels in the system. In addition, there was no documentation from the state substantiating the seriousness of the deficiency.

The wastewater system was ranked "Best" because there are serious deficiencies that create a health threat to the entire community and can also result in serious environmental pollution. The problem is continual and chronic. The Town received a letter from MDEQ in December, 1994, strongly recommending action to preclude permit violations and enforcement actions related to the wastewater treatment plant.

Priority #2: MEETS HEALTH/SAFETY STANDARDS

Ranked - AVERAGE, 450 POINTS

Each of the two systems were ranked individually and averaged based on the percent of total costs. The water system improvements will be approximately 59% and the wastewater system project will be approximately 41% of the total costs.

The water system was ranked "Above Average", because there are serious deficiencies with the system and the proposed project will address the health and safety standards. However, there is no directive from the state to correct these problems.

The wastewater system was ranked "Below Average", because even though there are serious deficiencies that create a health threat, and the state has indicated that if the problems with the system are not corrected that MDEQ may mandate that the corrections be made, the proposed technical design would not allow the system to meet the required standards.

Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Ranked - AVERAGE, 400 POINTS

Each of the two systems were ranked individually and averaged based on the percent of total costs. The water system improvements will be approximately 59% and the wastewater system project will be approximately 41% of the total costs.

The water system was ranked "Best" because the preliminary engineering analysis identified the appropriate, cost-effective technical design and should provide a thorough, long-term solution for the water system. The DOC review engineer commented that the analysis was well prepared and left no unanswered questions of any consequence. Meters are included in the project.

The wastewater system was ranked "Below Average" because the preliminary engineering analysis for the wastewater system did not adequately analyze the problem or all of the alternatives, and recommended an alternative that did not meet MDEQ standards. The selected alternative for the wastewater system was inadequate and inappropriate.

The project was not ranked higher because of the considerable deficiencies in the design of the wastewater system which would have prevented the system from meeting the required standards.

Priority #4: BENEFITS TO PUBLIC COMPARED TO DOLLAR REQUEST

Ranked - AVERAGE, 350 POINTS

This project would result in an average benefit to the public commensurate with the amount of financial assistance requested. Even though there is a serious health threat, the proposed engineering for the wastewater system suggests a solution that would not meet state standards.

The amount requested per household ($5,000) is high relative to other applications, although matching funds (72%) are in the second highest percentage group relative to other applications. The Applicant has demonstrated some long-term commitment to comprehensive planning in order to provide public facilities and services that are adequate and cost effective.

According to the engineering review prepared for the DNRC RRG program, "project feasibility is marginal until the financial strategy has been adequately considered and the revised costs provided to the public....reducing project scope to lower user costs may be of value in gaining public acceptability."

The Applicant would have been ranked higher except for the inadequate engineering solution for the wastewater system.

Priority #5: REFLECTS GREATER FINANCIAL NEED (COMPETITIVE RANKING INDICATORS)

Ranked - 424 POINTS

The adjusted score is based on a weighted distribution of the total 600 available points for Statutory Priority #5, including indicator #1 (relative economic condition of households) and indicator #2 (target rate analysis).

(Lower ranking indicates greater financial need. For example, ranking 1st indicates a greatest need; ranking 40th indicates least financial need.)

Indicator 1. Household Economic Condition:

MHI	$19,618
% persons at or below LMI	50%
% persons at or below poverty	10.66%

Household Economic Condition Ranking: 20th in the field of 40 applications.

Analysis for Highwood's water and wastewater systems improvement request shows that the median income of the District's households is relatively average (19th lowest of 40) among applicants for the 1996-97 TSEP

financing cycle and that the relative concentration of persons living at or below the levels of poverty and "low and moderate" income is average (35th and 11th of the 40 applicants). This combination of factors impacting the economic condition of the households produces a rank of 20th of the 40 applicants.

Indicator 2. Target Rate Analysis:

Existing Monthly Rate	$20.00
Variance From Target Rate	62%
Monthly Rate With No Assistance	$91.81
Variance From Target Rate	284%
Monthly Rate With Full TSEP Assistance	$59.65
Variance From Target Rate	184%

Target Rate Analysis Ranking: 5th in the field of 40 applications.

Overall Competitive Ranking: 13th in the field of 40 applications = 424 points.

Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Ranked - ABOVE AVERAGE, 375 POINTS

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
TSEP	Grant	$420,000	Applied/No Decision
DNRC	Grant	$80,000	Applied/No Decision
DNRC	Loan	$106,321	Applied/No Decision
CDBG	Grant	$400,000	Committed
MDOT	Grant	$40,000	Committed
District	Cash	$90,008	Committed
SRF	Loan	$326,792	Not Yet Applied
SRF was added after the application was submitted as a result of the revised engineering analysis.			
Total		1,463,121	

The Applicant's matching funds (72%) are in the second highest percentage group. It appears that they are applying to and attempting to secure most potential funding sources, however, neither SRF or RD were discussed in the original application. The response would have been stronger if it had discussed why SRF or RD were not considered since both would appear to be a logical alternative source of funding.

Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Ranked - AVERAGE, 200 POINTS

The project represents a general infrastructure improvement and would not directly result in the creation or retention of long-term, full-time jobs.

Priority #8: ALLOWS EXPANSION OF BUSINESS

Ranked - AVERAGE, 150 POINTS

The project represents a general infrastructure improvement and would not directly result in the expansion of a specific business.

Priority #9: MAINTAINS TAX BASE

Ranked - AVERAGE, 100 POINTS

The project represents a general infrastructure improvement that should protect and may even expand the tax base. No appropriate private sector alternatives were identified.

Priority #10: HAS STRONG COMMUNITY SUPPORT

Ranked - AVERAGE, 50 POINTS

There have been numerous meetings and the public has been kept well informed of the project and the costs involved. However, the increased user charges that would result from the design changes for the wastewater system have not been discussed with community residents. The increased cost of the project could have a significant impact on the affordabililty of user charges for this small community and could affect community support for the project.

Total Points on 10 Priorities: 3,249 points out of 5,500 points possible.

PROJECT NO. 28
APPLICANT: CITY OF BILLINGS

Type Of Project: STORM SEWER IMPROVEMENTS

Funding Sources:

TSEP REQUEST		MATCHING FUNDS	
TSEP Grant	$280,000	City of Billings (SID)	$280,000
Total	$280,000		$280,000

Project Total: $560,000

Percent Of Matching Funds: 50%

Project Summary:

Problem - A southwest Billings neighborhood known as the Southwest Park Subdivision has deficiencies with its storm sewer and drainage system which results in flooding of the streets and cul-de-sacs during heavy rainfalls, approximately five to six times per year.

Proposed Solution - The proposed project will involve constructing a storm sewer system in the Southwest Park Subdivision which would conform to the adopted City of Billings Storm Drainage Master Plan. The project includes construction of approximately 360 lineal feet of storm lateral pipe, 2,940 feet of storm drain main, 8 manholes, adjustments to existing sanitary sewers and water mains, and construction of 75 lineal feet of new curb and gutter.

Overall Ranking On 10 Statutory Priorities (90-6-710 (2) MCA):

The application received 3,239 out of 5,500 points possible, ranking 28 out of 40 applications. (See the 1996 Applications: Ranking Scores For Ten Statutory Priorities Chart in Part 5 of this report.)

DOC Recommendation On Financial Assistance (90-6-710 (2) MCA):

DOC recommends funding for this project because:

1) Based on the methodology used in DOC'S financial analysis, the neighborhood in Billings does not appear to have the financial capacity to borrow the funds requested as an alternative to receiving a TSEP grant. This is an affordability problem.
2) Without the TSEP grant, the combined water and wastewater rates charged to households would be 275% of the target rate, which indicates an extreme affordability problem for the ratepayers. Without the TSEP grant, the combined rates would be $89.61 per month per household.
3) Thus, DOC recommends $280,000 in TSEP grant funds for this project.

(See the TSEP Financial Gap Analysis/Grant Award Recommendations Chart in Part 5 of this report.)

Recommended Conditions On The Project:

No conditions are being recommended for this project.

Rationale For Ranking On 10 Statutory Priorities:

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority.

Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Ranked - AVERAGE, 500 POINTS

A deficiency exists in the storm sewer system in the Southwest Park Subdivision. Flooding in the subdivision due to inadequate storm sewers occur five to six times per year during thunder storms and during rapid snow melts. There is a chronic, repeated, flooding problem due to the existing inadequate storm sewer. The application included photographs of storm water about 18 inches deep. Safety hazards include: hazards to vehicles and pedestrians, danger to children, and difficult accessibility for fire trucks and emergency vehicles. Flooding is substantial enough to affect access of emergency vehicles and constitutes a safety hazard.

Roxanne Lincoln of DEQ indicated a minor health risk would exist if the storm water contained high levels of coliform bacteria or other pollutants. No storm water quality data from samples for this subdivision were provided by the Applicant. However, the application did contain a general list of the pollutants often found in storm water in the United States. Mark Smith of the DEQ stated that there were no current drinking water pollution issues related to this problem.

Priority #2: MEETS HEALTH/SAFETY STANDARDS

Ranked - AVERAGE, 450 POINTS

No court order nor state nor federal regulatory directive has been issued in response to the deficient storm sewers or related problems. The EPA federal storm water standards only apply to cities of 250,000 population or more, thus, the Applicant is not required to meet those standards.

The DEQ and EPA were contacted. The problems cited by the Applicant do not appear to currently violate any applicable state or federal standard. However, Roxanne Lincoln of DEQ indicated a minor health risk would exist if the storm water contained high levels of coliform bacteria or other pollutants. The Applicant did not provide water quality data from samples taken from the subdivision.

Flooding in the residential area caused by the deficient storm sewer system may be a significant threat to public safety. Safety concerns include child safety, traffic safety, and fire safety (access for emergency services). The flooding represents a safety threat to small children. The Applicant provided letters and photographs to document the safety problems.

Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Ranked - AVERAGE, 400 POINTS

The application appears to thoroughly address the problem and provide a long term solution by the extension of the City's existing storm sewer collection system to the Southwest Park Subdivision. The storm sewer project would resolve the flooding problems. The proposed project appears to be the most appropriate solution to the flooding problem. The proposed project is based on the criteria provided in the City's 1981 South Side Storm Sewer Master Plan. The new system will be maintained by the City. New or increased storm water discharges would be subject to DEQ non-degradation standards. This was not discussed in the Applicant's preliminary engineering report. Non-degradation compliance should be addressed by the Applicant during final engineering design.

Priority #4: BENEFITS TO PUBLIC COMPARED TO DOLLAR REQUEST

Ranked - ABOVE AVERAGE, 525 POINTS

This project will result in an above average benefit to the public commensurate with the amount of financial assistance requested. The Applicant documented strong past efforts in storm water facility planning and capital improvements planning although the degree of health threat (Statutory Priority #1) was ranked average. The City has adopted a CIP and two storm water master plans and the proposed project conforms to the plans. The amount of TSEP funds requested per household ($3,333/household) is moderate for a neighborhood project. The Applicant proposes 50% matching funds.

Priority #5: REFLECTS GREATER FINANCIAL NEED (COMPETITIVE RANKING INDICATORS)

Ranked - 439 POINTS

The adjusted score is based on a weighted distribution of the total 600 available points for Statutory Priority #5, including indicator #1 (relative economic condition of households) and indicator #2 (target rate analysis).

(Lower ranking indicates greater financial need. For example, ranking 1st indicates a greatest need; ranking 40th indicates least financial need.)

Indicator 1. Household Economic Condition:

MHI	$19,728
% persons at or below LMI	50%
% persons at or below poverty	22%

Household Economic Condition Ranking: 16th in the field of 40 applications.

Analysis for Billings storm sewer improvement request shows that the median income of the city's households is $19,728 (22nd lowest of 40) among applicants for the 1996-97 TSEP financing cycle and that the relative concentration of persons living at or below the levels of poverty and "low and moderate"income is 9th and 11th. This combination of factors impacting the economic condition of the households produces a rank of 16th

of the 40 applicants.

Indicator 2. Target Rate Analysis:

Existing Monthly Rate	$31.90
Variance From Target Rate	98%
Monthly Rate With No Assistance	$89.61
Variance From Target Rate	275%
Monthly Rate With Full TSEP Assistance	$59.40
Variance From Target Rate	182%

Target Rate Analysis Ranking: 5th in the field of 40 applications.

Overall Competitive Ranking: 12th in the field of 40 applications = 439 points.

Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Ranked - ABOVE AVERAGE, 375 POINTS

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
TSEP	Grant	$280,000	Applied/No Decision
City of Billings	SID	$280,000	Partially committed, approved by about 65% of property owners
Total		$560,000	

The 50% matching funds are in the third highest percentage group out of a total of four groups. Approximately 65% of the property owners have signed a petition to create the SID. This is an above average level of commitment compared to other TSEP applications. One other source of funding was discussed in the application.

Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Ranked - AVERAGE, 200 POINTS

The storm sewer project represents a general infrastructure improvement and would not directly result in the creation or retention of long-term, full-time jobs. The area to be served by the project is a residential neighborhood.

Priority #8: ALLOWS EXPANSION OF BUSINESS

Ranked - AVERAGE, 150 POINTS

The project represents a general infrastructure improvement and would not directly result in the expansion of a specific business. The area to be served by the new storm sewer is a residential area.

Priority #9: MAINTAINS TAX BASE

Ranked - AVERAGE, 100 POINTS

The project represents a general infrastructure improvement that should protect and may even expand the tax base. No appropriate private sector alternatives were identified. The application stated that the storm sewer problem in the project area has the effect of holding down property values. The proposed improvements will eliminate this negative effect. A letter from the U. S. Department of Housing and Urban Development (HUD) included in the application described the negative impacts the storm sewer deficiencies have on the provision of safe and sanitary housing. There were no statistics nor specific information in the application to document the potential improvement in the tax base.

Priority #10: HAS STRONG COMMUNITY SUPPORT

Ranked - BEST, 100 POINTS

The Applicant held a public hearing. Residents of the area were informed of the cost per household through a petition. Substantial public support is documented by the petition to create the SID which was signed by about 65% of the residents. Several letters of support from residents were included in the application. The City has a CIP and two storm water master plans. The City has a specific storm water master plan which covers the proposed project area and the project conforms to the master plan.

Total Points on 10 Priorities: 3,239 points out of 5,500 points possible.

PROJECT NO. 29
APPLICANT: JEFFERSON COUNTY

Type Of Project: **SOLID WASTE COLLECTION IMPROVEMENTS**

Funding Sources:

TSEP REQUEST		MATCHING FUNDS	
TSEP Grant	$128,915	INTERCAP Loan	$ 68,915
		County Cash	$ 60,000
Total	$128,915		$128,915

Project Total: $257,830

Percent Of Matching Funds: 50%

Project Summary:

Problem - The Jefferson County solid waste collection system has some deficiencies that has proven to be unsafe and inefficient. The deficiencies of the roll-off container system include:

1) inherent safety hazards,
2) high maintenance and transportation costs, and
3) limited capacity.

The DOC review engineer commented that even though there are some inherent safety hazards associated with a roll-off type transfer system, proper training and procedures can reduce the problems.

Solution - The proposed project would replace the roll-off container system with a compaction type of system.

Overall Ranking On 10 Statutory Priorities (90-6-710 (2) MCA):

The application received 3,165 points out of 5,500 points possible, ranking 29th out of 40 applications. (Refer to the 1996 Applications: Ranking Scores For Ten Statutory Priorities Chart in Part 5 of this report.)

DOC Recommendation On Financial Assistance (90-6-710 (2) MCA):

DOC recommends funding for this project because:

1) Based on the methodology used in DOC's financial analysis, the Applicant does not appear to have the financial capacity to borrow the funds requested as an alternative to receiving a TSEP grant. This is an affordability problem.
2) Without the TSEP grant, the combined water and wastewater rates charged to households would be 114% of the target rate, which indicates an affordability problem for the ratepayers.
3) Thus, DOC recommends $128,915 in TSEP grant funds for this project.

(Refer to the TSEP Financial Gap Analysis/Grant Award Recommendations Chart in Part 5 of this report.)

DOC Recommended Conditions On The Project:

No conditions are being recommended for this project.

Rationale For Ranking On 10 Statutory Priorities:

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority.

Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Ranked - AVERAGE, 500 POINTS

While there is a deficiency that creates a health and safety concern, it is not considered to be a serious problem when compared to the types of deficiencies noted in the other applications. In addition, this project is more concerned with the inability of the current system to handle the solid waste needs of the growing population in the northern part of the County.

Priority #2: MEETS HEALTH/SAFETY STANDARDS

Ranked - AVERAGE, 450 POINTS

While there is some documentation showing the potential threat to public health and safety, the current system does not violate any state or federal health and safety standards. The proposed solution addresses the current and projected needs for cost-effective solid waste transfer and disposal, and complies with applicable health and safety standards.

Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Ranked - ABOVE AVERAGE, 600 POINTS

The analysis showed that the proposed solution addresses the current and projected needs for cost-effective solid waste transfer and disposal, but the DOC review engineer commented that the analysis could have been improved by better documentation and looking at some additional options. Operational and maintenance costs were not clearly identified. Electrical power requirements for the operation of the compactors and the annual maintenance costs of compactors handling refuse were not shown. The design life of the compactors was also not identified.

Priority #4: BENEFITS TO PUBLIC COMPARED TO DOLLAR REQUEST

Ranked - ABOVE AVERAGE, 525 POINTS

This project would result in an above average benefit to the public commensurate with the amount of financial assistance requested. Even though this project is addressing both the current and future solid waste needs of the County, as a result of the increasing growth of the northern part of the County, the overall health and safety threat is relatively low compared to other applications.

Matching funds (50%) are only in the third highest percentage group, however, the amount requested per household ($37) is very low compared to other applications. In addition, the County has made considerable efforts at resolving their solid waste problems.

Priority #5: REFLECTS GREATER FINANCIAL NEED (COMPETITIVE RANKING INDICATORS)

Ranked - 240 POINTS

The adjusted score is based on a weighted distribution of the total 600 available points for Statutory Priority #5, including indicator #1 (relative economic condition of households) and indicator #2 (target rate analysis).

(Lower ranking indicates greater financial need. For example, ranking 1st indicates a greatest need; ranking 40th indicates least financial need.)

Indicator 1. Household Economic Condition:

MHI	$31,400
% persons at or below LMI	30%
% persons at or below poverty	7.4%

Household Economic Condition Ranking: 40th in the field of 40 applications.

Analysis for Jefferson County's solid waste system improvement request shows that the median income of the County's households is very high (40th lowest of 40) among applicants for the 1996-97 TSEP financing cycle and that the relative concentration of persons living at or below the levels of poverty and "low and moderate" income is low (39th and 38th of the 40 applicants). This combination of factors impacting the economic condition of the households produces a rank of 40th of the 40 applicants.

Indicator 2. Target Rate Analysis:

Existing Monthly Rate	$9.92
Variance From Target Rate	105%
Monthly Rate With No Assistance	$10.76
Variance From Target Rate	114%
Monthly Rate With Full TSEP Assistance	$9.92
Variance From Target Rate	105%

Target Rate Analysis Ranking: 19th in the field of 40 applications.

Overall Competitive Ranking: 37th in the field of 40 applications = 240 points.

Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Ranked - ABOVE AVERAGE, 375 POINTS

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
TSEP	Grant	$128,915	Applied/No Decision
INTERCAP	Loan	$68,915	No Application Submitted
District	Reserves	$60,000	Committed
Total		$257,830	

Even though matching funds (50%) are only in the third highest percentage group, the District funds are committed and the loan from INTERCAP is likely to be approved. The District would likely be completely dependent on local resources if the TSEP funds are not approved. The funding package is an appropriate mix and there are limited sources of federal and state funding for this type of project.

Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Ranked - AVERAGE, 200 POINTS

The project represents a general infrastructure improvement and would not directly result in the creation or retention of long-term, full-time jobs.

Priority #8: ALLOWS EXPANSION OF BUSINESS

Ranked - AVERAGE, 150 POINTS

The project represents a general infrastructure improvement and would not directly result in the expansion of a specific business.

Priority #9: MAINTAINS TAX BASE

Ranked - AVERAGE, 100 POINTS

The project represents a general infrastructure improvement that should protect and may even expand the tax base. The Applicant was able to show that there were no appropriate private sector alternatives.

Priority #10: HAS STRONG COMMUNITY SUPPORT

Ranked - BELOW AVERAGE, 25 POINTS

The Applicant indicated that the public had been informed of the project through various meetings, but no documentation was provided as evidence of this participation.

Total Points on 10 Priorities: 3,165 points out of 5,500 points possible.

PROJECT NO. 30
APPLICANT: CITY OF RED LODGE

Type Of Project: WATER SYSTEM IMPROVEMENTS

Funding Sources:

TSEP REQUEST		MATCHING FUNDS	
TSEP Grant	$500,000	RD Loan	$1,300,000
		City Reserves	$ 53,000
Total	$500,000		$1,353,000

Project Total: $1,853,000

Percent Of Matching Funds: 73%

Project Summary:

Problem - The City of Red Lodge has deficiencies with its water distribution system which results in large amounts of water loss due to cracked and broken lines and fittings.

1) The City's water distribution system has numerous undersized and deteriorated water mains that are corroded due to the high mineral content of the water.
2) Water valves are inoperable and inadequate.
3) Water flows and pressures do not meet minimum standards for daily usage and fire protection.
4) The system has dead-end lines in the project area that need to be looped to reduce the risk of line contamination and consequent health risk.

Proposed Solution - The City has elected to phase improvements to the water distribution lines. Phase one will rehabilitate the smallest and most deteriorated lines in the system by replacing galvanized lines of three inches or less in diameter. The project includes installation of 9,000 feet of 12-inch transmission main, replacement of galvanized services, water valves, and hydrants with PVC or ductile iron.

Overall Ranking On 10 Statutory Priorities (90-6-710 (2) MCA):

The application received 3,047 out of 5,500 points possible, ranking 30th out of 40 applications. (Refer to the 1996 Applications: Ranking Scores For Ten Statutory Priorities Chart in Part 5 of this report.)

DOC Recommendations On Financial Assistance (90-6-710 (2) MCA):

DOC recommends funding for this project because:

1) Based on the methodology used in DOC's financial analysis, the Applicant does not appear to have the financial capacity to borrow the funds requested as an alternative to receiving a TSEP grant. This is an affordability problem.
2) Without the TSEP grant, the combined water and wastewater rates charged to households would

be 142% of the target rate, which indicates an affordability problem for the ratepayers.

3) DOC recommends $500,000 in TSEP grant funds for this project.

(Refer to the TSEP Financial Gap Analysis/Grant Award Recommendations Chart in Part 5 of this report.)

Recommended Conditions For This Project:

The community commissioned a Water Master Plan which was completed in 1976. The Water Master Plan should be updated to reflect any significant changes in the community which would render this plan obsolete.

The costs estimates contained in the PER are inadequate to fully evaluate the cost-effectiveness of the project. The engineer's "opinion of construction costs" presented in the report are based on lump sum values for each portion of the distribution system. The report does not present the lengths of pipe that are to be replaced and all conditions which will be encountered during excavation.

Rationale For Ranking On 10 Statutory Priorities:

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority.

Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Ranked - AVERAGE, 500 POINTS

This project will address replacement of undersized water distribution lines. The community's water storage and supply is adequate to address fire situations. There is a potential that the lack of water flow in portions of the system could cause property loss in the event of a fire. This project will address the areas of the community served by the smaller (2") distribution lines.

Priority #2: MEETS HEALTH/SAFETY STANDARDS

Ranked - AVERAGE, 450 POINTS

The community is not required by any state or federal regulatory agency to upgrade their water system. The present water system does not meet the current design standards in that some of the distribution lines are not large enough to provide adequate flow during a fire event. The proposed project throughly addresses the problem of inadequate fire flow in the community.

Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Ranked - AVERAGE, 400 POINTS

The project does address the problem of inadequate fire flow in the community. The applicant proposes to complete all of the required improvements in a phased approach. This project is the first project phase provides a reasonable, complete and long-term solution to the problem in the area being upgraded. The most efficient solution has been selected among several alternatives. The cost estimates contained in the preliminary engineering review are inadequate to fully evaluate the cost-effectiveness of the project. The report does not present the lengths of piping to be replaced or all of the conditions which will be encountered during excavation.

Priority #4: BENEFITS TO PUBLIC COMPARED TO DOLLAR REQUEST

Ranked - AVERAGE, 350 POINTS

The project will result in an average benefit to the public commensurate with the amount of financial assistance requested. The amount requested per household is low ($570), compared to other applications. The matching funds are in the second highest percentage group compared to other applications. There are several water system deficiencies that create a public health and safety threat.

Priority #5: REFLECTS GREATER FINANCIAL NEED (COMPETITIVE RANKING INDICATORS)

Ranked - 347 POINTS

The adjusted score is based on a weighted distribution of the total 600 available points for Statutory Priority #5, including indicator #1 (relative economic condition of households) and indicator #2 (target rate analysis).

(Lower ranking indicates greater financial need. For example, ranking 1st indicates a greatest need; ranking 40th indicates least financial need.)

Indicator 1. Household Economic Condition:

MHI	$17,375
% persons at or below LMI	46 %
% persons at or below poverty	14.7%

Household Economic Condition Ranking: 17th in the field of 40 applications.

Analysis for the City of Red Lodge water improvement request shows that the median income of the City's households is relatively low (11th lowest of 40) among applicants for the 1996-97 TSEP financing cycle and that the relative concentration of persons living at or below the levels of poverty and "low and moderate"income is average (22nd and 18th of the 40 applicants). This combination of factors impacting the economic condition of the households produces a rank of 17th of the 40 applicants.

Indicator 2. Target Rate Analysis:

Existing Monthly Rate	$34.09
Variance From Target Rate	119%
Monthly Rate With No Assistance	$40.75
Variance From Target Rate	142%
Monthly Rate With Full TSEP Assistance	$39.23
Variance From Target Rate	137%

Target Rate Analysis Ranking: 19th in the field of 40 applications.

Overall Competitive Ranking: 23rd in the field of 40 applications = 347 points.

Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Ranked - BEST, 500 POINTS

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
TSEP	Grant	$ 500,000	Applied/No Decision
Rural Development	Loan	$1,300,000	Committed
City	Reserves	$ 53,000	Committed
Total		$1,853,000	

The applicant has identified all potential sources of funding and analyzed each to determine the most appropriate funding sources for the project. The applicants matching funds (73% match) are in the highest percentage group.

Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Ranked - AVERAGE, 200 POINTS

This project represents a general infrastructure improvement and would not directly result in the creation or retention of long-term, full-time jobs for Montanans.

Priority #8: ALLOWS EXPANSION OF BUSINESS

Ranked - AVERAGE, 150 POINTS

The project represents a general infrastructure improvement and would not directly result in the expansion of a specific business.

Priority #9: MAINTAINS TAX BASE

Ranked - AVERAGE, 100 POINTS

The proposed project represents a general infrastructure improvement that will likely help maintain the tax base. No appropriate private sector alternatives were identified.

Priority #10: HAS STRONG COMMUNITY SUPPORT

Ranked - AVERAGE, 50 POINTS

The Applicant provided documentation that the public was informed of the proposed project. There was no documentation that the residents were informed of the user rates per household. The application contained documentation of newspaper articles on the project dating back for three years.

Total Points on 10 Priorities: 3,047 points out of 5,500 points possible.

PROJECT NO. 31
APPLICANT: TOWN OF CHESTER

Type Of Project: **WATER SYSTEM IMPROVEMENTS**

Funding Sources:

TSEP REQUEST		MATCHING FUNDS	
TSEP Grant	$417,000	DNRC Grant	$100,000
		Town Cash	$100,000
		Revenue Bonds	$267,000
Total	$417,000		$467,000

Project Total: $884,000

Percent Of Matching Funds: 53%

Project Summary:

Problem - The Chester water system has some deficiencies that results in low water pressures, thereby creating a fire flow problem. The deficiencies include:

1) limited water storage capacity,
2) an outdated and unreliable control system at the water treatment facility,
3) dead-end distribution lines,
4) undersized distribution lines, and
5) no water meters.

Proposed Solution - The proposed project would involve updating the water treatment facility controls, looping dead-end distribution lines, replacing approximately 2,000 feet of undersized distribution lines with larger diameter lines, installing 400 water meters, and constructing a 200,000 gallon water storage reservoir.

The DOC review engineer commented that the engineering analysis was deficient in several aspects, and therefore, even though the improvements would likely improve the situation, he could not be sure that the proposed improvements represent the most efficient, appropriate and cost effective option to resolve the needs of the community.

Overall Ranking On 10 Statutory Priorities (90-6-710 (2) MCA):

The application received 3,028 points out of 5,500 points possible, ranking 31st out of 40 applications. (Refer to the 1996 Applications: Ranking Scores For Ten Statutory Priorities Chart in Part 5 of this report.)

DOC Recommendation On Financial Assistance (90-6-710 (2) MCA):

DOC recommends funding for this project because:

1) Based on the methodology used in DOC's financial analysis, the Applicant does not appear to have the

financial capacity to borrow the funds requested as an alternative to receiving a TSEP grant. This is an affordability problem.

2) Without the TSEP grant, the combined water and wastewater rates charged to households would be 130% of the target rate, which indicates an affordability problem for the ratepayers.

3) Thus, DOC recommends $417,000 in TSEP grant funds for this project.

(Refer to the TSEP Financial Gap Analysis/Grant Award Recommendations Chart in Part 5 of this report.)

DOC Recommended Conditions On The Project:

If this project is selected for funding, DOC recommends the following conditions on the project:

The budget should be revised so that the "contingency" line item amount is no greater than 10% of the "construction" line item amount.

Rationale For Ranking On 10 Statutory Priorities:

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority.

Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Ranked - ABOVE AVERAGE, 750 POINTS

Serious deficiencies in terms of fire protection, storage and distribution were identified. There is limited water storage capacity, dead-end lines, undersized pipes, and no water meters. The Town frequently experiences low pressures, and the west end of town has operating pressures below the 20 psi standard outlined in MDEQ WQB Circular No. 1. As a result it is doubtful that sufficient water volume would be available to fight a fire if it were to occur on a peak usage day. Commercial Risk Services recently downgraded the Town from a seven to an eight for fire protection. In addition, low pressures and potential negative pressure could result in contaminates entering into the system. The Town also has an outdated control system at the water treatment plant which makes it difficult for the system to comply with the monitoring rules of the surface water drinking act. The deficiencies are existing and affect the entire community. However, the application does not contain documentation from a state or federal agency that substantiates the problem.

Priority #2: MEETS HEALTH/SAFETY STANDARDS

Ranked - AVERAGE, 450 POINTS

Even though there are standards that are being violated, and the threat to the public due to a fire is significant, it is not clear if the proposed project will thoroughly address the identified deficiencies. Furthermore, the application does not contain any documentation from a state or federal agency that substantiates the problem.

Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Ranked - AVERAGE, 400 POINTS

The DOC review engineer commented that the analysis did not thoroughly define the problem and consider all reasonable alternatives. The analysis also did not provide the needed detail regarding the proposed improvements to determine if the project will thoroughly address the problem. It did not appear that the interagency engineering analysis outline was followed. Furthermore, the analysis did not take into account water main improvements previously made to the system, thereby incorrectly increasing the scope and cost of the proposed project. There were no drawings or descriptions of proposed improvements. No rationale for selection of the 200,000 gallon elevated storage tank was provided. A hydraulic analysis was not provided, and there was little detail on the treatment facility. Due to the lack of detail and analysis, it is not clear that the proposed improvements represent the most efficient, appropriate and cost effective option for resolving the needs of the community. However, the DOC review engineer did indicate that the proposed improvements will likely improve the situation somewhat.

Priority #4: BENEFITS TO PUBLIC COMPARED TO DOLLAR REQUEST

Ranked - AVERAGE, 350 POINTS

This project would result in an average benefit to the public commensurate with the amount of financial assistance requested. Even though there is a significant health and safety threat, it is not clear if the proposed engineering solution would resolve the problems.

The amount requested per household ($1,066) is moderate compared to other applications, but matching funds (53%) are only in the third highest percentage group. Furthermore, there have been limited efforts towards comprehensive planning to provide public facilities and services that are adequate and cost effective.

Priority #5: REFLECTS GREATER FINANCIAL NEED (COMPETITIVE RANKING INDICATORS)

Ranked - 303 POINTS

The adjusted score is based on a weighted distribution of the total 600 available points for Statutory Priority #5, including indicator #1 (relative economic condition of households) and indicator #2 (target rate analysis).

(Lower ranking indicates greater financial need. For example, ranking 1st indicates a greatest need; ranking 40th indicates least financial need.)

Indicator 1. Household Economic Condition:

MHI	$22,500
% persons at or below LMI	36%
% persons at or below poverty	12%

Household Economic Condition Ranking: 31st in the field of 40 applications.

Analysis for Chester's water system improvement request shows that the median income of the City's households is relatively high (31st lowest of 40) among applicants for the 1996-97 TSEP financing cycle and that the relative concentration of persons living at or below the levels of poverty and "low and moderate" income is low (31st and 31st of the 40 applicants). This combination of factors impacting the economic condition of the households produces a rank of 31st of the 40 applicants.

Indicator 2. Target Rate Analysis:

Existing Monthly Rate	$34.00
Variance From Target Rate	92%
Monthly Rate With No Assistance	$48.43
Variance From Target Rate	130%
Monthly Rate With Full TSEP Assistance	$39.69
Variance From Target Rate	107%

Target Rate Analysis Ranking: 19th in the field of 40 applications.

Overall Competitive Ranking: 32nd in the field of 40 applications = 303 points.

Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Ranked - AVERAGE, 250 POINTS

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
TSEP	Grant	$417,000	Applied/No Decision
DNRC	Grant	$100,000	Applied/No Decision
Chester	Cash	$100,000	Committed
Chester	Revenue Bonds	$267,000	Not Yet Initiated
Total		$884,000	

Matching funds (53%) are only in the third highest percentage group relative to other applications. The Applicant has submitted an application to DNRC for a grant and will initiate a bond, but there was no discussion of other funding sources.

Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Ranked - AVERAGE, 200 POINTS

The project represents a general infrastructure improvement and would not directly result in the creation or retention of long-term, full-time jobs.

Priority #8: ALLOWS EXPANSION OF BUSINESS

Ranked - AVERAGE, 150 POINTS

The project represents a general infrastructure improvement and would not directly result in the expansion of a specific business.

Priority #9: MAINTAINS TAX BASE

Ranked - AVERAGE, 100 POINTS

The project represents a general infrastructure improvement that should protect and may even expand the tax base. No appropriate private sector alternatives were identified.

Priority #10: HAS STRONG COMMUNITY SUPPORT

Ranked - ABOVE AVERAGE, 75 POINTS

The Applicant held two meetings on the project and the public was informed of the estimated cost per household of user charges. While the community does not have a CIP it is a member of the Bear Paw Economic Development District and it prepares an annual work program.

Total Points on 10 Priorities: 3,028 points out of 5,500 points possible.

PROJECT NO. 32
APPLICANT: CITY OF HARDIN

Type Of Project: **WATER DISTRIBUTION SYSTEM/STORM DRAIN COLLECTION IMPROVEMENTS**

Funding Sources:

TSEP REQUEST		MATCHING FUNDS	
TSEP Grant	$350,000	City Cash	$804,488
		City In-Kind	$ 60,000
Total	$350,000		$864,488

Project Total: $1,214,488

Percent Of Matching Funds: 71%

Project Summary:

Problem - The Hardin water system and storm drain system, along Crawford Avenue, has various deficiencies, including:

1) the water main is unevenly graded, and therefore, air can accumulate in the main which makes the pipe susceptible to loss of pressure, reduction in capacity and fluctuation in flow,
2) the water main is buried to shallow, and therefore, can result in freezing and damage from traffic,
3) insufficient number of fire hydrants,
4) asbestos cement pipes,
5) lead service pipes, and
6) a deteriorated storm drainage system resulting in flooding of sidewalks, lawns and basements.

The DOC review engineer commented that, with the exception of the flooding problem which can cause loss of property, the other deficiencies are not significantly serious for various reasons (refer to the response in Statutory Priority #1 for further explanation).

Proposed Solution - The proposed project would involve replacing approximately 3,140 feet of asbestos cement water pipe with PVC water pipe, replacing all existing lead service pipe with copper pipe, burying the water mains at a constant grade and at an adequate depth, installing additional fire hydrants, installing approximately 1,635 feet of new storm drainage, replacing and constructing approximately 6,450 feet of curb and gutter, and resurfacing Crawford Avenue.

Overall Ranking On 10 Statutory Priorities (90-6-710 (2) MCA):

The application received 2,906 points out of 5,500 points possible, ranking 32nd out of 40 applications. (Refer to the 1996 Applications: Ranking Scores For Ten Statutory Priorities Chart in Part 5 of this report.)

DOC Recommendations On Financial Assistance (90-6-710 (2) MCA):

DOC recommends funding for this project because:

1) Based on the methodology used in DOC's financial analysis, the Applicant does not appear to have the financial capacity to borrow the funds requested as an alternative to receiving a TSEP grant. This is an affordability problem.
2) Without the TSEP grant, the combined water and wastewater rates charged to households would be 108% of the target rate, which indicates an affordability problem for the ratepayers.
3) Thus, DOC recommends $350,000 in TSEP grant funds for this project.

(Refer to the TSEP Financial Gap Analysis/Grant Award Recommendations Chart in Part 5 of this report.)

DOC Recommended Conditions On The Project:

If this project is selected for funding, DOC recommends the following conditions on the project:

The Applicant submit an Environmental Checklist that adequately documents that the project will not have a significant impact on the quality of the human environment.

Rationale For Ranking On 10 Statutory Priorities:

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority.

Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Ranked - BELOW AVERAGE, 250 POINTS

The DOC review engineer commented that the majority of the deficiencies are not serious, especially compared to the deficiencies noted in the other applications. The existing water main has no past history of freezing, and it does not appear that the existing main has not had any major breaks or leakage problems. Because water mains are not typically laid to grade, and there is a differential of only 12 inches, the risk posed by air accumulation in water mains is very minimal and should not pose any significant problems. There are only two locations on the street that exceed the recommended standards for fire hydrants and these exceed the recommended spacing by only 50 feet and 250 feet. The deficiency posed by the spacing of fire hydrants is only marginal. The risk from the asbestos cement pipes is generally not a risk to the general public, and appropriate protective gear and can eliminate or minimize the risks to city personnel who would repair the mains. While there can be a risk from lead service pipe, no documentation was provided showing that consumers with lead service lines were receiving water which exceed the maximum contaminant level for lead.

The deficiencies that do exist primarily affect only the residences along one street, and the drainage problem, which is probably the most serious deficiency that is documented, is an occasional occurrence and can be lessened by cleaning the drains.

Priority #2: MEETS HEALTH/SAFETY STANDARDS

Ranked - AVERAGE, 450 POINTS

While there is support from the regional MDEQ office to complete this project, there are no directives. While fire hydrant spacing, the grade and depth of bury of the water mains does not meet standards, the DOC review engineer does not believe that these deficiencies pose a significant threat to public health or safety.

Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Ranked - ABOVE AVERAGE, 600 POINTS

The DOC review engineer commented that the selected alternative appears to be appropriate and would be a long-term solution to the problem. The analysis was not ranked "Best" because the analysis did not provide costs for the alternatives not selected, and no basis was given for the selected alternative. All residences and businesses in the City are currently metered.

Priority #4: BENEFITS TO PUBLIC COMPARED TO DOLLAR REQUEST

Ranked - AVERAGE, 350 POINTS

This project would result in an average benefit to the public commensurate with the amount of financial assistance requested. The deficiencies identified by the Applicant have been ranked as "Below Average" and are not regarded as a significant health or safety threat by the DOC review engineer.

The amount requested per household ($5,000) is very high compared to most other applications, however, matching funds (71%) are in the second highest percentage group. In addition, the City has generally made substantial efforts towards planning in order to provide public facilities and services that are adequate and cost effective.

Priority #5: REFLECTS GREATER FINANCIAL NEED (COMPETITIVE RANKING INDICATORS)

Ranked - 331 POINTS

The adjusted score is based on a weighted distribution of the total 600 available points for Statutory Priority #5, including indicator #1 (relative economic condition of households) and indicator #2 (target rate analysis).

(Lower ranking indicates greater financial need. For example, ranking 1st indicates a greatest need; ranking 40th indicates least financial need.)

Indicator 1. Household Economic Condition:

MHI	$21,045
% persons at or below LMI	41%
% persons at or below poverty	22.2%

Household Economic Condition Ranking: 22nd in the field of 40 applications.

Analysis for Hardin's water and storm drain systems improvement request shows that the median income of the City's households is relatively average (26th lowest of 40) among applicants for the 1996-97 TSEP financing cycle and that the relative concentration of persons living at or below the levels of poverty and "low and moderate" income is high to average (8th and 21st of the 40 applicants). This combination of factors impacting the economic condition of the households produces a rank of 22nd of the 40 applicants.

Indicator 2. Target Rate Analysis:

Existing Monthly Rate	$35.18
Variance From Target Rate	101%
Monthly Rate With No Assistance	$37.57
Variance From Target Rate	108%
Monthly Rate With Full TSEP Assistance	$35.18
Variance From Target Rate	101%

Target Rate Analysis Ranking: 19th in the field of 40 applications.

Overall Competitive Ranking: 27th in the field of 40 applications = 331 points.

Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Ranked: ABOVE AVERAGE, 375 POINTS

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
TSEP	Grant	$350,000	Applied/No Decision
City	Cash	$784,488	Committed
City	In-Kind Services	$60,000	
Unaccounted for, although the City has indicated that they will provide this amount.		$20,000	
Total		$1,214,488	

The matching funds (71%) are in the second highest percentage group. Matching funds are all from the City and most are committed, although $20,000 is still not accounted for in regards to were the funds will come from. The application indicates that the City investigated other funding sources including DNRC, RD, SRF and creating a SID, but no rationale for rejecting these sources of funds was provided.

Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Ranked - AVERAGE, 200 POINTS

The project represents a general infrastructure improvement and would not directly result in the creation or retention of long-term, full-time jobs.

Priority #8: ALLOWS EXPANSION OF BUSINESS

Ranked - AVERAGE, 150 POINTS

The project represents a general infrastructure improvement and would not directly result in the expansion of a specific business.

Priority #9: MAINTAINS TAX BASE

Ranked - AVERAGE, 100 POINTS

The project represents a general infrastructure improvement that should protect and may even expand the tax base. No appropriate private sector alternatives were identified.

Priority #10: HAS STRONG COMMUNITY SUPPORT

Ranked - BEST, 100 POINTS

There was good public participation and support for this project. The public was informed of the costs associated with the project. The City has a CIP.

Total Points on 10 Priorities: 2,906 points out of 5,500 points possible.

PROJECT NO. 33
APPLICANT: CITY OF THOMPSON FALLS

Type Of Project: **WATER SYSTEM IMPROVEMENTS**

Funding Sources:

TSEP REQUEST		MATCHING FUNDS	
TSEP Grant	$500,000	DNRC Grant	$200,000
		DNRC Loan	$200,000
Total	$500,000		$400,000

Project Total: $900,000

Percent Of Matching Funds: 44% (TSEP Hardship Grant Request-less than 50% match)

Project Summary:

Problem - The Thompson Falls water system has some deficiencies, including:

1) the system has low fire flow capacity;
2) dead-end water mains;
3) undersized water mains; and
4) the system needs a new alternative and supplemental water source (well).

Proposed Solution - The proposed project includes construction of a new well and pumphouse, and replacing and looping water mains.

Overall Ranking On 10 Statutory Priorities (90-6-710 (2) MCA):

The application received 2,889 out of 5,500 points possible, ranking 33 out of 40 applications. (See the 1996 Applications: Ranking Scores For Ten Statutory Priorities Chart in Part 5 of this report.)

DOC Recommendations On Financial Assistance (90-6-710 (2) MCA):

DOC recommends $400,000 grant funding for this project because:

1) Without the TSEP grant, the Applicant's combined water and sewer rates would be 191% of the target rate. Even with the $400,000 TSEP grant recommended by DOC, the Applicant's combined water and sewer rates would still be 169% of the target rate. This indicates that the Applicant needs the $400,000 TSEP grant to make the combined rates more affordable to the residents.
2) Based on the methodology used in DOC's financial analysis, the Applicant does not appear to have the financial capacity to borrow the funds requested as an alternative to receiving a TSEP grant.

DOC recommends that the grant be reduced from the $500,000 "hardship" grant requested by the

Applicant to a "regular" $400,000 grant. Hardship grants are grants where the local government is providing less than the required 50% matching funds. The Applicant is proposing 44% matching funds. The TSEP application guidelines require that applications for TSEP hardship grants meet the requirements of two tests.

The first test is "Does a serious deficiency exist in the facility and have adverse consequences clearly attributable to the deficiency occurred?" DOC analysis of the application and information from DEQ indicates the Applicant's water system deficiencies are "average," (refer to the response in Statutory Priority #1 and #2 for further explanation). The DOC review engineer stated: "Serious illness, disease outbreak, or serious environmental pollution is not likely to occur as a result of the distribution system deficiencies. The deficiency does not appear to represent a serious threat to public health or safety." The application does not meet the first test.

The second test for hardship grants is "Do indicators of financial capacity clearly indicate that higher local financial participation is not reasonable?" DOC analysis suggests that the application does meet this test. With a "regular" $400,000 grant, the applicant would still be at 169% of the target rate because the Applicant stated the City would simply reduce the scope of the project by $100,000 if the hardship grant was not approved. The Applicant did not document in the application that it would not be possible for the Applicant to apply for and receive the additional $100,000 in funds from the federal Rural Development (RD) funding program. It appears RD could be an alternative funding source for a portion of this project. Because the Applicant must meet both tests, DOC does not recommend a hardship grant for this application.

Note that the reduction of the grant from a $500,000 hardship category grant to a $400,000 regular category grant would not place an additional financial burden on the Applicant's residents. The Applicant stated the City would simply reduce the scope of the project by $100,000 if the hardship grant were not approved.

(See the TSEP Financial Gap Analysis/Grant Award Recommendations Chart at the front of this report).

DOC Recommended Conditions On The Project:

If this project is recommended for funding, DOC recommends the following condition:

That the Applicant provide documentation from DEQ, EPA, or other expert sources, that the proposed site for drilling the new well is not contaminated, since the application contained information indicating that the preferred well site could be contaminated by leachate from an old landfill. An alternative site for the well was identified by the Applicant should the preferred site be contaminated. (For further information see the response under Statutory Priority #3.)

Rationale For Ranking On 10 Statutory Priorities:

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority.

Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Ranked - AVERAGE, 500 POINTS

This project deals with two major water system deficiencies: a need to improve fire flow deficiencies in the distribution system and the need for a new well to provide adequate water supply for summer months, high demand situations, or other situations. There are no court orders nor state or federal agency directives which are applicable to this project. The applicant did not provide documentation from state or federal agencies to substantiate the magnitude and extent of the problems.

The Applicant's preliminary engineering report documented numerous areas of the community which do not meet the private Insurance Services Office (ISO) fire flow standards. The application identifies four areas in the community as having low fire flow capacity. The DOC review engineer stated that serious illness, disease outbreak, or serious environmental pollution is not likely to occur as a result of the distribution system fire flow deficiencies. The Applicant did not provide sufficient information regarding the density of development and type of construction which is relevant to assessing the degree of the fire flow problem.

The water supply deficiency occurs basically during the summer months and occasional peak use situations. The fire flow deficiencies in the distribution system are ongoing.

In conclusion, Statutory Priority #1 was rated "average" for the following reasons:

1) The water supply deficiency (no safe backup source when Ashley Creek is low) is a low to moderate threat to the health and safety of the residents of Thompson Falls. The well portion of the application is approximately 1/3 of the total project cost.
2) Fire flow deficiencies in the water distribution system constitute a safety threat. However, no specific information was presented by the Applicant to gage the extent of the deficiency.
3) The project appears to support a community wide planning project which will accommodate growth, mitigating the potential for aggravating existing system problems.

Priority #2: MEETS HEALTH/SAFETY STANDARDS

Ranked - AVERAGE, 450 POINTS

There are no court orders nor state or federal agency directives which are applicable to this project. The Applicant did not provide documentation from state or federal agencies to substantiate the magnitude and extent of the problems. The Applicant's preliminary engineering report documented numerous areas of the community which do not meet the private Insurance Services Office (ISO) fire flow standards. The Applicant did not provide sufficient information regarding the density of development and type of construction which is relevant to accessing the degree of the fire flow problem. The fire flow deficiency does not appear to represent a serious threat to public health or safety.

In conclusion, Statutory Priority #2 was rated "average" for the following reasons:

1) The system may not meet standards for backup water supplies when Ashley Creek is unavailable, but there is no significant threat to public health or safety.
2) System storage is adequate for fire protection.
3) The well is only used for a few months of the year.
4) The shallow well could be used in the event of a dire emergency with an immediate boil order issued.

Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Ranked - AVERAGE, 400 POINTS

The DOC review engineer stated that the Applicant's engineering plan addresses the problem of insufficient water supply during peak use months. The proposed new well will increase the City's water supply to meet the 20 year design flow without the current Ashley Creek source. The proposed new well would meet the average day design flow if the current well were out of service.

Many existing water mains are undersized and in poor condition, which impacts fire flow capability and service reliability. The Applicant's engineering report recommended improvements by priority. The proposed improvements for this project appear to follow recommendations. The proposed improvements appear to be the most economic solution and cost effective option.

All water services currently have water meters. Existing meters are in the homes. New meters are proposed to be placed in meter pits at the property line.

Concern was raised during public comment that the aquifer could be contaminated from old dump sites which may be up gradient from the well. A testing program was set up by DEQ in 1994 after a test showed a contaminate present. The contaminant was within acceptable drinking water standards. Additional analysis is being completed by DEQ. The issue of possible contamination from the abandoned landfill site needs to be settled by the Applicant prior to proceeding with final design, plans, and specifications.

In conclusion: Statutory Priority #3 was rated "average" for the following reasons:

1) The recommended alternatives appear feasible.
2) As part of final design, the Applicant should provide additional information on fire flows currently available while maintaining 20 psi residual pressure through out the system, density and construction type of business and residential areas, locations of any schools, hospitals, or other structures which may be difficult to evacuate in the event of a fire.

Priority #4: BENEFITS TO PUBLIC COMPARED TO DOLLAR REQUEST

Ranked - AVERAGE, 350 POINTS

This project will result in an average benefit to the public commensurate with the amount of financial assistance requested. There is an average public health threat (TSEP Statutory Priority #l) and average compliance with health and safety standards (TSEP Statutory Priority #2). Also, the project was ranked average as to its cost effective engineering design (Statutory Priority #3). The amount requested per household is relatively low. The cost per household would be $829.19, assuming a $500,000 "hardship" grant. The cost per household would be $663.35, assuming a $400,000 "regular" grant. However, the amount of match (44% proposed by the Applicant) is in the lowest percentage group out of a total of four groups. The Applicant has a Capital Improvements Plan dated 1994-1995.

Priority #5: REFLECTS GREATER FINANCIAL NEED (COMPETITIVE RANKING INDICATORS)

Ranked - 414 POINTS

The adjusted score is based on a weighted distribution of the total 600 available points for Statutory Priority #5, including Indicator #1 (relative economic condition of households) and Indicator #2 (target rate analysis).

(Lower ranking indicates greater financial need. For example, ranking 1st indicates a greatest need; ranking 40th indicates least financial need.)

Indicator 1. Household Economic Condition:

MHI	$19,659
% persons at or below LMI	39%
% persons at or below poverty	12.90%

Household Economic Condition Ranking: 24th in the field of 40 applications.

Analysis for Thompson Falls Water and Sewer System improvement request shows that the median income of the City's households is $19,659 (20th lowest of 40) among applicants for the 1996-97 TSEP financing cycle and that the relative concentration of persons living at or below the levels of poverty and "low and moderate"income is 28th and 25th. This combination of factors impacting the economic condition of the households produces a rank of 24th of the 40 applicants.

Indicator 2. Target Rate Analysis:

Existing Monthly Rate	$52.31
Variance From Target Rate	161%
Monthly Rate With No Assistance	$62.07
Variance From Target Rate	191%
Monthly Rate With Full TSEP Assistance ($500,000 Grant)	$54.88
Variance From Target Rate	169%

Target Rate Analysis Ranking: 5th in the field of 40 applications.

Overall Competitive Ranking: 15th in the field of 40 applications = 414 points.

Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Ranked - **AVERAGE, 250 POINTS**

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
TSEP	Grant	$500,000	Applied/No Decision
DNRC	Grant	$200,000	Applied/No Decision
DNRC	Loan	$200,000	Applied/No Decision
Total		$900,000	

The matching funds are in the lowest percentage group out of a total of four groups. The Applicant is requesting a hardship grant (44% match). No other sources of funds are committed. The Applicant discussed most other potential funding sources (except RD Grants and Loans).

Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Ranked - **AVERAGE, 200 POINTS**

The project represents a general infrastructure improvement and would not directly result in the creation or retention of long-term, full time jobs. The Applicant stated: "As this project is aimed at rehabilitating, improving and upgrading an already existing facility, the result in the creation or retention of any number of long-term and/or full-time jobs is unlikely."

Priority #8: ALLOWS EXPANSION OF BUSINESS

Ranked - **AVERAGE, 150 POINTS**

The project represents a general infrastructure improvement and would not directly result in the expansion of a specific business. The Applicant stated: "While one of the end results will be an improved system for the City of Thompson Falls, the community will be provided with a fire protection system, and water system that is capable of meeting all their needs, thus making the commercial district more attractive to potential businesses. The proposed improvements will upgrade the City's water system to adequately meet the needs of the future growth."

Priority #9: MAINTAINS TAX BASE

Ranked - **AVERAGE, 100 POINTS**

The project represents a general infrastructure improvement that will likely help maintain and may even expand the tax base. No appropriate private sector alternatives were identified.

Priority #10: HAS STRONG COMMUNITY SUPPORT

Ranked - ABOVE AVERAGE, 75 POINTS

The Applicant held a public meeting and informed the public as to the costs of the TSEP project. Newspaper clippings regarding the proposed project were included in the application. In addition, the application contained minutes of City Council meetings prior to the official public meeting on the TSEP application. At these other meetings, City officials discussed the water system plan, needs of the water system, and funding options such as TSEP. The Applicant has a Capital Improvements Plan (CIP) and did a community needs assessment. A copy of the CIP was included in the application. The CIP was dated 1994-1995.

Total Points on 10 Priorities: 2,889 points out of 5,500 points possible.

PROJECT NO. 34
APPLICANT: CITY OF BIG TIMBER

Type Of Project: WASTEWATER SYSTEM IMPROVEMENTS

Funding Sources:

TSEP REQUEST		MATCHING FUNDS	
TSEP Grant	$500,000	RD Grant	$1,072,000
		RD Loan	$ 50,000
Total	$500,000		$1,122,000

Project Total: $1,622,000

Percent Of Matching Funds: 69%

Project Summary:

Problem - The Big Timber wastewater system has some deficiencies as identified by the Applicant, including:

1) leakage from the treatment lagoon,
2) inadequate aeration in the treatment lagoon, and
3) an inadequate wastewater system, both collection and treatment capacity, to deal with population growth.

The DOC review engineer commented that the leakage from the lagoon has not been adequately substantiated through proper monitoring and analysis. He also commented that he does not believe that the deficiencies related to the aeration system are as serious as indicated by the Applicant (refer to the response in Statutory Priority #1 for further explanation).

Proposed Solution - The project as proposed by the Applicant would involve creating a three cell lagoon system out of the emergency detention pond, lining the three new cells, constructing a floating aeration system, constructing a new 6,340 foot trunk line for the west end of town, and acquiring land for tertiary treatment to be constructed in a second phase.

The DOC review engineer commented that a proper inflow versus outflow analysis needs to be conducted before determining whether the lagoon should be relined, and that the deficiencies related to the aeration system can possibly be fixed by replacing the baffle curtain along with other minor repairs and general maintenance. He commented that after these steps have been taken, then the system should be re-evaluated for additional improvements.

Overall Ranking On 10 Statutory Priorities (90-6-710 (2) MCA):

The application received 2,786 points out of 5,500 points possible, ranking 34th out of 40 applications. (Refer to the 1996 Applications: Ranking Scores For Ten Statutory Priorities Chart in Part 5 of this report.)

DOC Recommendation On Financial Assistance (90-6-710 (2) MCA):

DOC recommends funding for this project because:

1) Based on the methodology used in DOC's financial analysis, the Applicant does not appear to have the financial capacity to borrow the funds requested as an alternative to receiving a TSEP grant. This is an affordability problem.
2) Without the TSEP grant, the combined water and wastewater rates charged to households would be 127% of the target rate, which indicates an affordability problem for the ratepayers.
3) Thus, DOC recommends $500,000 in TSEP grant funds for this project.

(Refer to the TSEP Financial Gap Analysis/Grant Award Recommendations Chart in Part 5 of this report.)

DOC Recommended Conditions On The Project:

If this project is selected for funding, DOC recommends the following conditions on the project:

Land acquisition should be financed through another source of funding, since the land would be used for tertiary treatment that would not be constructed through this project, and there is no guarantee that the tertiary treatment would ever be constructed. Instead, the TSEP funds budgeted for land acquisition could be used to finance the construction component of this project.

Rationale For Ranking On 10 Statutory Priorities:

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority.

Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Ranked - AVERAGE, 500 POINTS

The DOC review engineer commented that the deficiencies in the aeration system, which result in effluent exceeding BOD limits at least three times in the past three years, are not thought to be serious and could be resolved by replacement of a baffle curtain along with other minor repairs and general maintenance. The DOC review engineer further commented that the excessive leakage from the lagoon has not been adequately substantiated since inflow versus outflow information was only collected for a 24-hour period. He commented that the minimum amount of time to collect this information would take several days of monitoring to tell if leakage were occurring. Documentation from MDEQ also noted that reliable data to quantify the leakage needs to be obtained in the near future. Therefore, the DOC review engineer commented that this deficiency cannot be considered serious until it is properly quantified.

Priority #2: MEETS HEALTH/SAFETY STANDARDS

Ranked - AVERAGE, 450 POINTS

There is no directive from a state or federal agency to correct the deficiencies, and there are questions about the identified deficiencies and whether the proposed project is justified. It does appear that there are standards being violated, but the seriousness of the public health threat has not been adequately documented. In addition, the DOC review engineer is not sure that the project thoroughly addresses the problem or provides a reasonably complete and long-term solution.

Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Ranked - AVERAGE, 400 POINTS

The DOC review engineer commented that while the proposed project would probably resolve the identified deficiencies, it has not been adequately documented that all of the proposed work items are needed. As a result, the DOC review engineer does not believe that the technical design proposed for the project represents the most efficient, appropriate, and cost-effective option for resolving the local public facility need.

Priority #4: BENEFITS TO PUBLIC COMPARED TO DOLLAR REQUEST

Ranked - AVERAGE, 350 POINTS

This project would result in an average benefit to the public commensurate with the amount of financial assistance requested. While there may be a significant health threat it has not been adequately documented and justified, and therefore, the proposed project may not represent the most efficient, appropriate, and cost-effective option for resolving the local public facility need.

The amount requested per household ($740) is relatively low compared to other applications and matching funds (69%) are in the second highest percentage. The Applicant has demonstrated some commitment to providing public facilities that are adequate and cost-effective through the planning process.

However, because the health threat has not been adequately justified, and as a result, the proposed design may not prove to be the most efficient, appropriate, and cost-effective option, this project was only given an "average" benefit overall.

Priority #5: REFLECTS GREATER FINANCIAL NEED (COMPETITIVE RANKING INDICATORS)

Ranked - 336 POINTS

The adjusted score is based on a weighted distribution of the total 600 available points for Statutory Priority #5, including indicator #1 (relative economic condition of households) and indicator #2 (target rate analysis).

(Lower ranking indicates greater financial need. For example, ranking 1st indicates a greatest need; ranking 40th indicates least financial need.)

Indicator 1. Household Economic Condition:

MHI	$18,125
% persons at or below LMI	43%
% persons at or below poverty	12.4%

Household Economic Condition Ranking: 19th in the field of 40 applications.

Analysis for Big Timber's wastewater system improvement request shows that the median income of the City's households is relatively low (13th lowest of 40) among applicants for the 1996-97 TSEP financing cycle and

that the relative concentration of persons living at or below the levels of poverty and "low and moderate" income is low (30th and 20th of the 40 applicants). This combination of factors impacting the economic condition of the households produces a rank of 19th of the 40 applicants.

Indicator 2. Target Rate Analysis:

Existing Monthly Rate	$31.43
Variance From Target Rate	105%
Monthly Rate With No Assistance	$37.98
Variance From Target Rate	127%
Monthly Rate With Full TSEP Assistance	$35.20
Variance From Target Rate	118%

Target Rate Analysis Ranking: 19th in the field of 40 applications.

Overall Competitive Ranking: 26th in the field of 40 applications = 336 points.

Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Ranked - AVERAGE, 250 POINTS

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
TSEP	Grant	$500,000	Applied/No Decision
Rural Development	Grant	$1,072,000	No Application Submitted
Rural Development	Loan	$50,000	No Application Submitted
Total		$1,622,000	

Even though matching funds (69%) are in the second highest percentage group, at the time the Applicant applied to TSEP, the Applicant had not submitted even a pre-application to RD; therefore the proposed loan/grant combination may not be a realistic option. In addition, the Applicant did not discuss SRF funding and missed the deadlines for CDBG and DNRC funding, which indicates that the proposed funding package has not been adequately analyzed and developed.

Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Ranked - AVERAGE, 200 POINTS

The project represents a general infrastructure improvement and would not directly result in the creation or retention of long-term, full-time jobs.

Priority #8: ALLOWS EXPANSION OF BUSINESS

Ranked - AVERAGE, 150 POINTS

The project represents a general infrastructure improvement and would not directly result in the expansion of a specific business.

Priority #9: MAINTAINS TAX BASE

Ranked - AVERAGE, 100 POINTS

The project represents a general infrastructure improvement that should protect and may even expand the tax base. No appropriate private sector alternatives were identified.

Priority #10: HAS STRONG COMMUNITY SUPPORT

Ranked - AVERAGE, 50 POINTS

While a public hearing was held, the public was not informed of any anticipated rate increase, because they did not know what the funding package or the loan rate will be since they have not submitted a pre-application to RD.

Total Points on 10 Priorities: 2,786 points out of 5,500 points possible.

PROJECT NO. 35
APPLICANT: TOWN OF EKALAKA

Type Of Project: WASTEWATER SYSTEM IMPROVEMENTS

Funding Sources:

TSEP REQUEST		MATCHING FUNDS	
TSEP Grant	$100,150	RD Grant	$100,150
		Town of Ekalaka	$ 4,000
Total	$100,150		$104,150

Project Total: $204,300

Percent Of Matching Funds: 51%

Project Summary:

Problem - The Ekalaka wastewater collection system has the following deficiencies:

1) the sewer line on Speelmon Street is shallow causing it to freeze at times during the winter and plugging the system;
2) the sewer line on Hedges Avenue has insufficient grade that results in plugging;
3) sewer back-ups in basements and loss of sewer service; and
4) because of the Town's remote location, it is difficult to obtain the services of commercial sewer cleaning companies, especially in emergency situations.

The DOC review engineer commented that the application did not provide documentation from DEQ, EPA, or other agencies as to the seriousness, magnitude, extent and frequency of any health threat due to sewer back-ups in basements.

Proposed Solution - The proposed project will replace approximately 2,416 lineal feet of 8" sewer lines and install 7 manholes. The Applicant is also proposing to buy a trailer mounted pressure jet sewer cleaning machine using TSEP funds.

Overall Ranking On 10 Statutory Priorities (90-6-710 (2) MCA):

The application received 2,691 out of 5,500 points possible, ranking 35th out of 40 applications. (See the 1996 Applications: Ranking Scores For Ten Statutory Priorities Chart in Part 5 of this report.)

DOC Recommendations On Financial Assistance (90-6-710 (2) MCA):

DOC recommends $85,150 of grant funding for this project because:

1) Based on the methodology used in DOC's financial analysis, the Applicant does not appear to have the financial capacity to borrow the funds requested as an alternative to receiving a TSEP grant. This is an affordability problem.
2) Without the TSEP grant, the combined water and wastewater rates charged to households would be 181% of the target rate, which indicates an extreme affordability problem for the ratepayers.

DOC recommends $85,150 in TSEP grant funds for this project instead of the $100,150 requested. DOC recommends that the TSEP grant be reduced by $15,000 because the purchase of the sewer cleaning equipment is not an eligible TSEP expense. The TSEP application guidelines state that TSEP funds may not be used for operation and maintenance and for equipment that is not permanently installed in and solely dedicated to the project. Purchasing maintenance equipment is not an appropriate use of limited TSEP funds. TSEP funds are intended to be used for infrastructure improvements. The purchase of maintenance equipment is a local responsibility.

(See the TSEP Financial Gap Analysis/Grant Award Recommendations Chart in Part 5 of this report.)

DOC Recommended Conditions On The Project:

No conditions are being recommended for this project.

Rationale For Ranking On 10 Statutory Priorities:

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority.

Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Ranked - AVERAGE, 500 POINTS

The some of the sewer mains in the town have some deficiencies. Backup of sewage into homes has occurred. The sewage backup problem is occasional and seasonal. The application stated that one of the sewers plugs virtually every winter. Approximately 50% of the town is served by portions of the sewer lines which plug and need to be replaced. However, it is unclear as to how many homes may have been affected by the sewage backups. The application did not provide any documentation nor statistics on the number of homes affected nor clear information on the magnitude of the problem. The application provided no documentation of reduced property values, disease outbreak or other serious consequences. DEQ staff were not aware of serious deficiencies. The DOC review engineer consulted with three DEQ staff (Jerry Burns, Tom Slovarp, and Bill Barr) during the analysis and ranking of this application.

Priority #2: MEETS HEALTH/SAFETY STANDARDS

Ranked - BELOW AVERAGE, 225 POINTS

DEQ staff were consulted during the analysis and ranking of this application. DEQ staff are not aware of any regulatory violations as a result of the occasional plugging of the sewers. DEQ staff and the DOC review engineer stated that no state or federal standards are currently being violated by the Town.

Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Ranked - AVERAGE, 400 POINTS

The DOC review engineer stated that the project thoroughly addresses the problem and provides a complete and long-term solution. The Applicant considered three alternatives and presented only qualitative data in support of their preferred alternative. No quantitative data were presented. No cost estimates for each alternative were include The Applicant's submittal generally contained information required to meet the preliminary engineering outline required by the TSEP application guidelines. However, the analysis of alternatives was missing information related to the capital and operating and maintenance cost of alternative as well as present worth analysis of alternatives.

The DOC review engineer stated that it does not appear appropriate for the Town to propose to purchase equipment (the sewer cleaning machine) for operations and maintenance activities with TSEP funds. TSEP application guidelines state that TSEP Funds may not be used for operations and maintenance. For additional explanation on the sewer cleaning machine issue, see the section entitled "DOC Recommendations on Financial Assistance" for the Ekalaka project.

Priority #4: BENEFITS TO PUBLIC COMPARED TO DOLLAR REQUEST

Ranked - AVERAGE, 350 POINTS

This project will result in an average benefit to the public commensurate with the amount of financial assistance requested. There is only an average public health and safety threat (TSEP Statutory Priority #1). The amount requested per household ($493.35 per household) is relatively low compared to other applications and the matching funds (51%) are only in the third highest percentage group compared to other applications. The Town has indicated it has a CIP, but has provided no documentation.

Priority #5: REFLECTS GREATER FINANCIAL NEED (COMPETITIVE RANKING INDICATORS)

Ranked - 466 POINTS

The adjusted score is based on a weighted distribution of the total 600 available points for Statutory Priority #5, including indicator #1 (relative economic condition of households) and indicator #2 (target rate analysis).

(Lower ranking indicates greater financial need. For example, ranking 1st indicates a greatest need; ranking 40th indicates least financial need.)

Indicator 1. Household Economic Condition:

MHI	$15,192
% persons at or below LMI	57%
% persons at or below poverty	17.20%

Household Economic Condition Ranking: 7th in the field of 40 applications.

Analysis for Ekalaka's wastewater treatment improvement request shows that the median income of the city's households is (5th lowest of 40) among applicants for the 1996-97 TSEP financing cycle and that the relative concentration of persons living at or below the levels of poverty and "low and moderate" income is 16th and 5th. This combination of factors impacting the economic condition of the households produces a rank of 7th of the 40 applicants.

Indicator 2. Target Rate Analysis:

Existing Monthly Rate	$41.77
Variance From Target Rate	167%
Monthly Rate With No Assistance	$45.46
Variance From Target Rate	181%
Monthly Rate With Full TSEP Assistance	$43.77
Variance From Target Rate	175%

Target Rate Analysis Ranking: 5th in the field of 40 applications.

Overall Competitive Ranking: 9th in the field of 40 applications = 466 points.

Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Ranked - AVERAGE, 250 POINTS

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
TSEP	Grant	$100,150	Applied/No Decision
Rural Development	Grant	$100,150	Pre-application Submitted. No Decision
Town of Ekalaka		$ 4,000	Committed
Total		$204,300	

The Applicant tried to obtain a bank loan, but it was denied by the bank. The Applicant did not apply to DNRC for this sewer project because they had already submitted a water project application to DNRC. The Applicant did not discuss CDBG nor SRF as potential funding sources for the proposed sewer project. The Applicant proposes 51% matching funds.

Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Ranked - AVERAGE, 200 POINTS

The project represents a general infrastructure improvement and would not directly result in the creation or retention of any long-term, full time jobs. The Applicant stated that employment opportunities related to this project, relate to the construction phase, therefore this project does not by itself provide long-term job opportunities.

Priority #8: ALLOWS EXPANSION OF BUSINESS

Ranked - AVERAGE, 150 POINTS

The project represents a general infrastructure improvement and would not directly result in the expansion of a specific business.

Priority #9: MAINTAINS TAX BASE

Ranked - AVERAGE, 100 POINTS

The project represents a general infrastructure improvement that should protect and may even expand the tax base. No appropriate private sector alternatives were identified. The Applicant stated that the Speelmon Street area in Ekalaka has potential for both residential and commercial expansion on the east edge of town. The rehabilitation of this sewer and making this sewer available at lower elevation will provide potential for additional connections in this area. The Applicant stated that additional connections to the sewer in the future will expand the private property tax base. However, the application provided no documentation on the number of new houses or businesses which may hook-on in the future. The application did not include any statistics or specifics on the assumed increase in the tax base.

Priority #10: HAS STRONG COMMUNITY SUPPORT

Ranked - AVERAGE, 50 POINTS

The Applicant stated that they held a public hearing and has a Capital Improvements Plan (CIP). The Applicant did not include any documentation regarding the CIP.

Total Points on 10 Priorities: 2,691 points out of 5,500 points possible.

PROJECT NO. 36
APPLICANT: TOWN OF CULBERTSON

Type Of Project: WASTEWATER SYSTEM IMPROVEMENTS

Funding Sources:

TSEP REQUEST		MATCHING FUNDS	
TSEP Grant	$313,259	SRF Loan	$162,709
		DNRC Grant	$100,000
		Town Cash	$ 50,550
Total	$313,259		$313,259

Project Total: $626,518

Percent Of Matching Funds: 50%

Project Summary:

Problem - The Culbertson wastewater system has some deficiencies, including:

1) a lift station that does not work properly,
2) a lift station check valve that is buried,
3) build-up of sludge in the lagoon,
4) eroding lagoon dikes due to improper slope and burrowing animals, and
5) a ditch connecting two cells that was excavated when the transfer pipe could not be found.

The DOC review engineer commented that the deficiencies related to the eroding lagoon dikes and the build up of sludge do not represent an urgent public health or safety concern.

Proposed Solution - The proposed project would involve modifying the lift station and check valves, removing cattails and sludge from the lagoon, reconstructing the dikes, installing Geoweb on the dikes for erosion control, and installing a transfer pipe between cells No. 2 and No. 3.

Overall Ranking On 10 Statutory Priorities (90-6-710 (2) MCA):

The application received 2,507 points out of 5,500 points possible, ranking 36th out of 40 applications. (Refer to the 1996 Applications: Ranking Scores For Ten Statutory Priorities Chart in Part 5 of this report.)

DOC Recommendations On Financial Assistance (90-6-710 (2) MCA):

DOC recommends funding for this project because:

1) Based on the methodology used in DOC's financial analysis, the Applicant does not appear to have the financial capacity to borrow the funds requested as an alternative to receiving a TSEP grant. This is an affordability problem.
2) Without the TSEP grant, the combined water and wastewater rates charged to households would be 121% of the target rate, which indicates an affordability problem for the ratepayers.

3) Thus, DOC recommends $313,259 in TSEP grant funds for this project.

(Refer to the TSEP Financial Gap Analysis/Grant Award Recommendations Chart in Part 5 of this report.)

DOC Recommended Conditions On The Project:

No conditions are being recommended for this project.

Rationale For Ranking On 10 Statutory Priorities:

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority.

Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Ranked - AVERAGE, 500 POINTS

The DOC review engineer commented that the deficiencies with the lagoon do not represent an urgent public health or safety concern, since the current configuration has been in place for 40 years without suffering erosional damage which would threaten their structural stability. He commented that the Town is being proactive in addressing the problems of the lagoon, but that the problems could be addressed with a more rigorous maintenance program. He also commented that the removal of the sludge does not represent an urgent public health or safety concern since the facility is not out of compliance, but that it is good policy because it reestablishes the original capacity of the lagoons. The deficiencies with the lift station and check valve does create a potential serious health and safety threat, however, there was no documentation provided from state or federal agencies which substantiates the seriousness of the deficiency. Furthermore, the lift station improvements only represent approximately five percent of the total costs of the project.

Priority #2: MEETS HEALTH/SAFETY STANDARDS

Ranked - BELOW AVERAGE, 225 POINTS

The DOC review engineer commented that the facility is currently in compliance with standards set by MDEQ, and that other than the lift station and check valve, there does not appear to be any significant threat to public health or safety.

Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Ranked - AVERAGE, 400 POINTS

The project adequately addresses the identified deficiencies and provides complete and long-term solutions. However, the adequacy of the system to handle future treatment requirements was not addressed, nor was the fact that the facility occasionally discharges into an adjacent wetland. The DOC review engineer was concerned that the proposed improvements selected for the project appear to be relatively low priorities

compared to the other improvements which may have a higher priority for regulatory compliance.

Priority #4: BENEFITS TO PUBLIC COMPARED TO DOLLAR REQUEST

Ranked - AVERAGE, 350 POINTS

This project would result in an average benefit to the public commensurate with the amount of financial assistance requested. Most of the deficiencies, based on the project cost, do not represent a significant health or safety threat. In addition, even though the project would resolve the identified deficiencies, the DOC review engineer is concerned about whether the selected deficiencies are the ones that should be corrected at this time versus other more potentially serious deficiencies that involve regulatory compliance issues.

The amount requested per household ($958) is relatively low compared to other applications, however, matching funds (50%) are only in the third highest percentage group. Furthermore, while the system has maintained reserves, there was no other discussion of past efforts to deal with the public facility problem through a long-term commitment to capital improvements planning.

Priority #5: REFLECTS GREATER FINANCIAL NEED (COMPETITIVE RANKING INDICATORS)

Ranked - 282 POINTS

The adjusted score is based on a weighted distribution of the total 600 available points for Statutory Priority #5, including indicator #1 (relative economic condition of households) and indicator #2 (target rate analysis).

(Lower ranking indicates greater financial need. For example, ranking 1st indicates a greatest need; ranking 40th indicates least financial need.)

Indicator 1. Household Economic Condition:

MHI	$23,125
% persons at or below LMI	28%
% persons at or below poverty	5.9%

Household Economic Condition Ranking: 37th in the field of 40 applications.

Analysis for Culbertson's wastewater system improvement request shows that the median income of the City's households is relatively high (33rd lowest of 40) among applicants for the 1996-97 TSEP financing cycle and that the relative concentration of persons living at or below the levels of poverty and "low and moderate" income is very low (40th and 40th of the 40 applicants). This combination of factors impacting the economic condition of the households produces a rank of 37th of the 40 applicants.

Indicator 2. Target Rate Analysis:

Existing Monthly Rate	$37.40
Variance From Target Rate	98%
Monthly Rate With No Assistance	$46.32
Variance From Target Rate	121%

Monthly Rate With Full TSEP Assistance	$40.40
Variance From Target Rate	106%

Target Rate Analysis Ranking: 19th in the field of 40 applications.

Overall Competitive Ranking: 35th in the field of 40 applications = 282 points.

Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Ranked - AVERAGE, 250 POINTS

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
TSEP	Grant	$313,259	Applied/No Decision
DNRC	Grant	$100,000	Applied/No Decision
SRF	Loan	$162,709	No Application Submitted
Town	Cash	$50,550	Committed
Total		$626,518	

Matching funds (50%) are only in the third highest group compared to the other applications, and except for the Town's funds, no other sources of funds are committed. The Applicant did discuss other potential sources of funding.

Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Ranked - AVERAGE, 200 POINTS

The project represents a general infrastructure improvement and would not directly result in the creation or retention of long-term, full-time jobs.

Priority #8: ALLOWS EXPANSION OF BUSINESS

Ranked - AVERAGE, 150 POINTS

The project represents a general infrastructure improvement and would not directly result in the expansion of a specific business.

Priority #9: MAINTAINS TAX BASE

Ranked - AVERAGE, 100 POINTS

The project represents a general infrastructure improvement that should protect and may even expand the tax base. No appropriate private sector alternatives were identified.

Priority #10: HAS STRONG COMMUNITY SUPPORT

Ranked - AVERAGE, 50 POINTS

The Town held various meetings and a public hearing. The public was informed of the rate increase. There were newspaper articles and two letters of support. While there was a reference in the application to an officially adopted CIP, the reference simply referred to a list of five infrastructure projects to be completed in the future. This is not considered to be a CIP.

Total Points on 10 Priorities: 2,507 points out of 5,500 points possible.

PROJECT NO. 37
APPLICANT: CITY OF GREAT FALLS

Type Of Project: WATER AND SEWER LINES EXTENSION

Funding Sources:

TSEP REQUEST		MATCHING FUNDS	
TSEP Grant	$496,050	City of Great Falls (SID or hookup fees)	$496,050
Total	$496,050		$496,050

Project Total: $992,100

Percent of Matching Funds: 50%

Project Summary:

Problem - The proposed project area is a neighborhood of 88 households located south of the city limits of Great Falls along Lower River Road and Upper River Road. Existing homes in the area are served by individual wells and individual on-site septic systems. According to the Applicant, the individual wells and septic systems in the area have the following problems and limitations:

1) several septic system failures;
2) periodic surfacing of sewage;
3) lots that are too small to allow for replacement of failed septic systems;
4) a high probability of contamination to the wells; and
5) potential pollution of the Missouri River.

The DOC review engineer commented that there was no documentation in the application regarding the actual contamination of wells and pollution of the Missouri River. The application does not document the frequency of surfacing sewage, how many lots are affected, and the seriousness, magnitude, and extent of the potential public health threat. The application stated that a one-year groundwater study is scheduled to begin later in 1996. Thus, the study was not submitted with the application nor was it available to be reviewed by the DOC review engineer.

Proposed Solution - The proposed project would extend the City of Great Falls central water mains and sewer mains to serve the area. The individual wells and septic systems would be eliminated. The application does not state the size of the mains to be extended nor the linear feet needed. Water meters will be installed in all homes. The Applicant plans to annex this currently unincorporated area into the City. The application does not discuss how and when the annexation would occur.

Overall Ranking On 10 Statutory Priorities (90-6-710 (2) MCA):

The application received 2,408 out of 5,500 points possible, ranking 37th out of 40 applications. (See the 1996 Applications: Ranking Scores For Ten Statutory Priorities Chart in Part 5 of this report.)

DOC Recommendations On Financial Assistance (90-6-710 (2) MCA):

DOC recommends $440,000 in grant funding for this project because:

1) Based on the methodology used in DOC's financial analysis, the neighborhood in Great Falls does not appear to have the financial capacity to borrow the funds requested (as an alternative to receiving a TSEP grant). This is an affordability problem.
2) Without the TSEP grant, the combined water and wastewater rates charged to households would be 315% of the target rate, which indicates an extreme affordability problem for the ratepayers.

DOC recommends that the grant amount awarded be reduced from the $496,050 requested ($5,637 per household) to $440,000 ($5,000 per household) because the application exceeds the TSEP limit of $5,000 maximum TSEP grant funds per household and the Applicant provided no justification nor documentation for exceeding the maximum limit. The TSEP application guidelines require applications for grant amounts greater than $5,000 per household to be judged on two tests: (1) a serious deficiency exists in the facility and adverse consequences clearly attributable to the deficiency have occurred; and (2) indicators of financial capacity clearly indicate higher local financial participation is not reasonable. The application does not meet the first test because the Applicant did not provide adequate documentation that a serious deficiency exists and adverse consequences clearly attributable to the deficiency have occurred. The application does meet the second test regarding limited financial capacity. However, the application must meet both tests to be recommended for grant amounts in excess of $5,000 per household.

(See the TSEP Financial Gap Analysis/Grant Award Recommendations Chart in Part 5 of this report.)

DOC Recommended Conditions On The Project:

If this project is selected for funding, DOC recommends the following conditions:

1) The groundwater quality study be completed and documentation be submitted by the Applicant to DOC as to the magnitude and extent of the possible contamination of wells and failure of septic tanks and other related problems;
2) The Applicant submit to DOC a complete preliminary engineering analysis incorporating the minimum requirements required by the TSEP application guidelines and incorporating any design modifications indicated by the groundwater study and the DEQ;
3) The Applicant document that the proposed engineering design for the water and sewer improvements is a cost effective solution, as determined by the DOC review engineer;
4) If the revised engineering analysis indicates that the TSEP funds needed for the water and sewer improvements are less than the $440,000 recommended, DOC would only award the amount of funds needed based on the DOC review engineer's analysis; and
5) The Applicant hold at least one public hearing to inform neighborhood residents of the TSEP project and proposed costs per household (such as the proposed SID assessments or hookup costs per household), as required by the TSEP application guidelines.

Rationale For Ranking On 10 Statutory Priorities:

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority.

Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Ranked - AVERAGE, 500 POINTS

The application claims that the groundwater table fluctuates in the project area, causing a threat to the drinking water wells from the septic systems. The application also states that raw sewage has surfaced on occasion. A letter from the Cascade County Sanitarian substantiates this problem. The Sanitarian stated that "Already we are seeing periodic surfacing sewage on lots too small to adequately replace the septic systems." However, no serious illness, disease outbreaks or substantial property loss were documented in the application. There was no documentation on the lot sizes in the area. The application did not contain documentation regarding whether there is a moratorium on on-site wastewater treatment systems in the area. There was no documentation in the application regarding actual contamination of wells.

The application states that the problem is existing and chronic. However, there is no documentation to substantiate this statement. The occurrence and frequency of the surfacing sewage was not discussed in detail and appear to be sporadic. Joe Meek of the DEQ stated that the density of sewage systems and domestic wells in this area of permeable soils and seasonal high ground water is a cause for concern due to the high potential for groundwater contamination . The application states that pollution of the Missouri River may be a problem. There was no documentation nor details of pollution problems in the application.

The DOC review engineer concluded that the application is very brief, containing little discussion and documentation of the problems. The application narrative and two letters submitted as part of the application (one from the County Sanitarian and one from DEQ) suggest that a deficiency is present. However, the brevity of the application and lack of documentation make it difficult to determine the degree of seriousness of the problem. The upcoming groundwater quality study to be conducted by the applicant may provide sufficient data in the future to assess the seriousness of the problem. Data from the study was not available from the Applicant at the time the TSEP application was submitted to DOC.

Priority #2: MEETS HEALTH/SAFETY STANDARDS

Ranked - AVERAGE, 450 POINTS

A court order or agency directive regarding a regulatory violation has not been issued. Mark Smith of the DEQ stated that a court order or agency directive would not be issued in the near future. The application does not discuss nor contain documentation of conditions which violate state or federal standards or regulations. Insufficient information was presented in the application to determine if in fact a health or safety standard is clearly being violated. According to the DOC review engineer, surfacing sewage is a concern. The DOC review engineer concluded that the problem and seriousness of the situation are not clearly defined, thus, any standards being violated have not been quantified. The extent of the problem and associated violations can only be assumed at this time. Letters were included from the County Sanitarian and the DEQ, however, neither letter provided strong documentation of the seriousness and urgency of the problem.

Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Ranked - BELOW AVERAGE, 200 POINTS

New sewer and water mains are proposed for installation to serve existing and potential users in the area. Existing wells and septic/drain field systems will be eliminated. The proposed project will likely address the problem. Complete success of the project is dependent on all residents hooking onto the new central public systems and abandoning their individual wells and septic systems. There was no documentation of whether the residents in the area would hook onto the new central systems.

The DOC review engineer noted that the engineering analysis in the application was very brief and deficient in many areas. Only one alternative was explored for the water improvements and one for the wastewater improvements. STEP systems should have been looked at in the application as a potential sewage collection system. The feasibility of implementing only one facet of the proposed improvements and not the other should have been addressed in the application. For example, if only the central sewer improvements were constructed, would the groundwater quality be such that use of individual wells could continue? The actual scope and details of the project were not discussed. No detailed cost estimates were presented. Thus, an analysis of the project's cost effectiveness could not be performed. Water meters are proposed for the project. The cost for installation of the meters was not addressed in the application nor was there any discussion regarding their implementation included.

In conclusion the DOC review engineer stated the application did not meet many of the requirements of the preliminary engineering analysis required by the TSEP application guidelines. The need was not thoroughly documented. Impacts on existing facilities and operation and maintenance requirements were not addressed. Alternatives evaluations, cost estimates, cost effectiveness analysis, selected plan discussions, etc. were missing in the application. The DOC review engineer stated that the preliminary engineering analysis in the application was substandard. The actual severity of the problem is not clear nor is the proposed engineering solution and associated costs.

Priority #4: BENEFITS TO PUBLIC COMPARED TO DOLLAR REQUEST

Ranked - BELOW AVERAGE, 175 POINTS

This project will result in a below average benefit to the public commensurate with the amount of financial assistance requested. There is only an average public health and safety threat (TSEP Statutory Priority #1) based on the documentation provided by the Applicant and there are several deficiencies with the Applicant's engineering report. The Applicant did not provide the complete engineering information in the application's preliminary engineering report as required by the TSEP application guidelines. The application was ranked "below average" on its cost effective engineering design (TSEP statutory Priority #3).

Furthermore, the amount requested is much higher than most other TSEP applications . Based on information in the application the cost would be $5,637 per household, which is over the $5,000 per household limit in the TSEP application guidelines (The $496,050 TSEP request divided by eighty-eight current households equals $5,637 per household). The Applicant did not explain nor justify the over $5,000 cost per household. The proposed 50% matching funds are only in the third highest percentage group out of a total of four groups. The application provided little information regarding the Applicant's past long term commitment to capital improvements planning and budgeting. No excerpts nor copies of capital improvements plans nor other facility planning documents were included as part of the application. The application did not state whether the proposed TSEP project is in conformance with the City's capital improvements plans.

Priority #5: REFLECTS GREATER FINANCIAL NEED (COMPETITIVE RANKING INDICATORS)

Ranked - 383 POINTS

The adjusted score is based on a weighted distribution of the total 600 available points for Statutory Priority #5, including indicator #1 (relative economic condition of households and indicator #2 (target rate analysis).

(Lower ranking indicates greater financial need. For example, ranking 1st indicates a greatest need; ranking 40th indicates least financial need.)

Indicator 1. Household Economic Condition:

MHI	$23,861
% persons at or below LMI	33%
% persons at or below poverty	12.74%

Household Economic Condition Ranking: 34th in the field of 40 applications.

Analysis for Great Falls' water and sewer lines extension request shows that the median income of the city's households is 23,861(35th lowest of 40) among applicants for the 1996-97 TSEP financing cycle and that the relative concentration of persons living at or below the levels of poverty and "low and moderate"income is 29th and 37th. This combination of factors impacting the economic condition of the households produces a rank of 34th of the 40 applicants.

Indicator 2. Target Rate Analysis:

Existing Monthly Rate	$21.27
Variance From Target Rate	54%
Monthly Rate With No Assistance	$123.92
Variance From Target Rate	315%
Monthly Rate With Full TSEP Assistance	$72.84
Variance From Target Rate	185%

Target Rate Analysis Ranking: 5th in the field of 40 applications.

Overall Competitive Ranking: 17th in the field of 40 applications = 383 points.

Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Ranked - AVERAGE, 250 POINTS

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
TSEP	Grant	$496,050	Applied/No Decision
City of Great Falls	SID or hook-up fees	$496,050	Not Clearly Committed/ No Resolution In Application
Total		$992,100	

The Applicant did not provide evidence of serious efforts to seek alternative funding. The Applicant stated only that the TSEP grant would allow the city to pursue low income grants and that the City intends to pursue low income grants in the future. The application provided no discussion of other funding sources, such as SRF funds for the sewer line portion of the proposed project or DNRC funds for the entire project. The Applicant proposes 50% matching funds.

Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Ranked - AVERAGE, 200 POINTS

The project represents a general infrastructure improvement and would not directly result in the creation or retention of any long-term, full-time jobs. The Applicant stated "at most, some short term construction and engineering jobs will be created or sustained by this project." Such employment would not be long-term, full-time job opportunities as stated in Statutory Priority #7 in the TSEP enabling statute.

Priority #8: ALLOWS EXPANSION OF BUSINESS

Ranked - AVERAGE, 150 POINTS

The project represents a general infrastructure improvement and would not directly result in the expansion of a specific business. In response to this TSEP Statutory Priority the application stated "no impact."

Priority #9: MAINTAINS TAX BASE

Ranked - AVERAGE, 100 POINTS

The project represents a general infrastructure improvement that should protect and may even expand the tax base. The application stated "since the area will be annexed, the city's property tax base will also expand accordingly." The application did not provide any documentation that residents would support annexation. The application did not provide any statistics on the potential dollar amount increase of the tax base due to the proposed annexation of the neighborhood into the City of Great Falls.

Priority #10: HAS STRONG COMMUNITY SUPPORT

Ranked - MINIMAL RELATIONSHIP, ZERO POINTS

The Applicant provided no documentation of community support. There was no documentation that the project area residents had been informed of the proposed TSEP project nor of proposed costs that residents would have to pay. The Applicant did not hold at least one public hearing on the proposed TSEP project, as required by TSEP application guidelines. There were no minutes nor newspaper articles included in the application to document that the project was a high local priority and the residents of the project area support the TSEP project. In response to the Statutory Priority #10 the application only stated "no public meetings have been held." The application said the City has capital improvements plans, but there was very little information in the application. There were no copies of the plans provided. The application did not contain excerpts from the plans. The application did not state whether the proposed TSEP project is in conformance with the City's capital improvements plans.

Total Points on 10 Priorities: 2,408 points out of 5,500 points possible.

PROJECT NO. 38
APPLICANT: TOWN OF BAINVILLE

Type Of Project: WATER AND SEWER SYSTEM IMPROVEMENTS

Funding Sources:

TSEP REQUEST		MATCHING FUNDS	
TSEP Grant	$360,000	RD Grant	$216,733
		RD Loan	$400,000
Total	$360,000		$616,733

Project Total: $976,733

Percent Of Matching Funds: 63%

Project Summary:

Problem - The Bainville water system has some deficiencies, including:

1) cast iron water mains with lead fittings;
2) old, outdated water lines (over 60 years old);
3) undersized water mains which are inadequate for fire protection;
4) a leaking water storage tank; and
5) the drinking water has high levels of manganese.

The DOC review engineer commented that there is no documentation that the lead fittings are leaking lead into the drinking water and that manganese is not a regulated substance in water and does not pose a health threat. Manganese is considered to be a nuisance in drinking water. In addition, the Applicant stated that the water lines have not had a significant number of leaks.

The Bainville sewer system also has some deficiencies, including:

1) sewer lines which need to be cleaned;
2) old, outdated sewer lines (over 60 years old) with one-half in need of replacement; and
3) sewer lines that are sometimes plugged.

The DOC review engineer commented that there was no documentation in the application from DEQ, EPA, or other agencies substantiating the magnitude, seriousness, or extent of potential threats to public health due to plugging of the sewer lines.

Proposed Solution - The proposed project will include installation of approximately 12,500 lineal feet of 6" PVC water main and 10 fire hydrants, rehabilitation of the water storage tank, construction of a manganese/iron water treatment plant (Electromedia I process), cleaning of sewer mains, televising of sewer mains, and installation of approximately 6,000 lineal feet of new sewer main.

Overall Ranking On 10 Statutory Priorities (90-6-710 (2) MCA):

The application received 2,287 out of 5,500 points possible, ranking 38th out of 40 applications. (See the 1996

Applications: Ranking Scores For Ten Statutory Priorities Chart in Part 5 of this report.)

DOC Recommendation On Financial Assistance (90-6-710 (2) MCA):

DOC recommends funding for this project because:

1) Based on the methodology used in the DOC's financial analysis, the Applicant does not appear to have the financial capacity to borrow the funds requested as an alternative to receiving a TSEP grant. This is an affordability problem.
2) Without the TSEP grant, the combined water and wastewater rates charged to households would be 177% of the target rate, which indicates a serious affordability problem for the ratepayers.
3) Thus, DOC recommends $360,000 in TSEP grant funds for this project.

(See the TSEP Financial Gap Analysis/Grant Award Recommendations Chart in Part 5 of this report.)

DOC Recommended Conditions On The Project:

If this project is selected for funding, DOC recommends the following conditions on the project:

1) That supplemental engineering information be submitted to DOC to address technical engineering concerns identified by the DOC review engineer . The supplemental information would include a revised preliminary engineering report prepared in accordance with the interagency engineering outline as required by the TSEP application guidelines. The revised engineering report should include, but not be limited to, a discussion and documentation of the rationale for the replacement of the sewer mains and a hydraulic analysis of water distribution system in order to properly size the water main replacements; and
2) If the revised engineering report indicates that the TSEP funds needed for the water and sewer improvements are less than the $360,000 requested, DOC would only award the amount of funds needed based on the DOC review engineer's analysis.

Rationale For Ranking On 10 Statutory Priorities:

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority.

Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Ranked - AVERAGE, 500 POINTS

This project involves proposed improvements to water system and sewer system.

Water System - The application stated that the water system has cast iron water mains with lead joints. The application stated that the lead contamination of the water is a potential health threat. However, copies of the lead and copper water test results were not provided to document that a problem does exist. The engineering report in the application stated that the ph of the water is such that the likelihood of a copper or lead pollution problem is reduced. The drinking water has a manganese levels 10 times higher than suggested levels. However, manganese is not a contaminate regulated by the state or federal governments and poses no health threat.

The water lines are 60 years old, but the water system has not been experiencing a large number of breaks. The undersized water lines are inadequate to provide fire protection. The application stated that the water mains 4"in diameter and do not provide adequate fire flow for fire protection. This presents a safety problem. However, the

Applicant's preliminary engineering report states that the Town Council decided to "have the water system remain as a non fire flow system." The only obvious deficiencies appear to be with the age of the water distribution system and the leaking water tank. The water distribution system has or nearly has reached its life expectancy. The application provided no documentation from state or federal agencies as to the seriousness of the deficiencies. Mark Smith, DEQ, confirmed that there are no documentation of serious problems at this time. It appears the Applicant does not see the deficiencies as urgent, rather, the Town is planning ahead.

Sewer System - The Applicant's preliminary engineering report notes that development of plugging of sewer lines in some areas, but did not document the reason for plugging nor any serious resulting circumstances. DEQ staff confirmed that there is no documentation of serious problems at this time. It appears the Applicant does not see the deficiencies as urgent, rather, the Town is planning ahead.

Priority #2: MEETS HEALTH/SAFETY STANDARDS

Ranked - BELOW AVERAGE, 225 POINTS

The project is not necessary to comply with a court order nor a state nor federal directive. Discussion with Mark Smith, DEQ, and other DEQ staff confirmed that no regulatory actions have been instigated. Mr. smith stated that he is unaware of any serious public health problems with the water and sewer systems in the community. The one potential problem with the undersized water mains was down played by the statement in the application that the Town Council had decided that the water system will remain as a non fire flow system.

Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Ranked - BELOW AVERAGE, 200 POINTS

The DOC review engineer stated that the water main replacements and new treatment system will likely solve the leaking and treatment problems. However, it is uncertain whether the repair of the water tank is the best long term solution. Also, it is unclear, due to lack of documentation, whether the sewer collection system needs any improvements. The DOC review engineer stated that there are serious deficiencies in the Applicant's preliminary engineering analysis which causes concern regarding the selected alternatives

The community's water system is currently metered, as encouraged by the TSEP application guidelines.

Priority #4: BENEFITS TO PUBLIC COMPARED TO DOLLAR REQUEST

Ranked - BELOW AVERAGE, 175 POINTS

This project will result in below average benefit to the public that commensurates with the amount of the financial assistance requested. Compliance with state and federal standards (TSEP Statutory Priority #2) was ranked below average. DOC review of the Applicant's preliminary engineering report identified several problems with the proposed engineering plans for the project. The DOC review engineer ranked the Applicant's preliminary engineering below average (TSEP Statutory Priority #3).

Furthermore, the amount requested per household is relatively high ($5,000 per household), compared to other TSEP applications. In addition, the Applicant has not documented in the application a long term commitment to planning in order to provide public facilities and services that are adequate and cost effective.

Priority #5: REFLECTS GREATER FINANCIAL NEED (COMPETITIVE RANKING INDICATORS)

Ranked - 312 Points

The adjusted score is based on a weighted distribution of the total 600 available points for Statutory Priority #5, including Indicator #1 (relative economic condition of households) and Indicator #2 (target rate analysis).

(Lower ranking indicates greater financial need. For example, ranking 1st indicates a greatest need; ranking 40th indicates least financial need.)

Indicator 1. Household Economic Condition:

MHI	$22,917
% persons at or below LMI	41%
% persons at or below poverty	15.80%

Household Economic Condition Ranking: 28 in the field of 40 applications.

Analysis for Bainville's water and sewer improvement request shows that the median income of the city's households is (32nd lowest of 40) among applicants for the 1996-97 TSEP financing cycle and that the relative concentration of persons living at or below the levels of poverty and "low and moderate" income is 20th and 21st. This combination of factors impacting the economic condition of the households produces a rank of 28th of the 40 applicants.

Indicator 2. Target Rate Analysis:

Existing Monthly Rate	$8.24
Variance From Target Rate	22%
Monthly Rate With No Assistance	$66.87
Variance From Target Rate	177%
Monthly Rate With Full TSEP Assistance	$40.12
Variance From Target Rate	106%

Target Rate Analysis Ranking: 19th in the field of 40 applications.

Overall Competitive Ranking: 29th in the field of 40 applications = 312 Points.

Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Ranked - ABOVE AVERAGE, 375 POINTS

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
TSEP	Grant	$360,000	Applied/No Decision
Rural Development	Grant	$216,733	No Application Submitted
Rural Development	Loan	$400,000	No Application Submitted
Total		$976,733	

The proposed 63% matching funds are in the second highest percentage group out of a total of four groups. The matching funds are to be obtained from RD, but an application has not yet been submitted. The Applicant briefly mentioned other sources of funding for the project, such as INTERCAP and SRF.

Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Ranked - AVERAGE, 200 POINTS

The project represents a general infrastructure improvement and would not directly result in the creation or retention of long-term, full-time jobs. The Applicant stated: "Bainville has been concerned that elderly rural residents from surrounding communities move to North Dakota for elderly care. Although the water system must receive a higher priority for the Town Council, plans are being developed to provide elderly care in Bainville. Direct job creation will be minimal but the facility will provide needed service to the area."

Priority #8: ALLOWS EXPANSION OF BUSINESS

Ranked - AVERAGE, 150 POINTS

The project represents a general infrastructure improvement and would not directly result in the expansion of a specific business. The Applicant mentioned that there is a possibility of the construction of an elderly care facility in the future. However, there was no direct link between the potential elderly care facility and the TSEP water and sewer project. There was no documentation that a business was planning such a facility. There were no details on the elderly care facility.

Priority #9: MAINTAINS TAX BASE

Ranked - AVERAGE, 100 POINTS

The project represents a general infrastructure improvement that will likely help maintain and may even expand the tax base. No appropriate private sector alternatives were identified.

Priority #10: HAS STRONG COMMUNITY SUPPORT

Ranked - AVERAGE, 50 POINTS

The Applicant held a public meeting and informed the public as to the costs of the project. Minutes of the public meeting were included in the application.

Total Points on 10 Priorities: 2,287 points out of 5,500 points possible.

PROJECT NO. 39
APPLICANT: CITY OF HARLEM

Type Of Project: WATER AND SEWER SYSTEM IMPROVEMENTS

Funding Sources:

	TSEP REQUEST	MATCHING FUNDS
	TSEP Grant $472,920	Congressional Appropriation (NRCS) $2, 300,000
Total	$472,920	$2,300,000

Project Total: $2,772,920

Percent Of Matching Funds: 83%

Project Summary:

Problem - Thirty-Mile Creek flows through the City of Harlem and floods periodically. In addition to the general problems created by flooding, flooding causes sewer system backups in the basements of residences on the south side of Harlem. The application did not provide written documentation on the seriousness, magnitude, extent, or frequency of the malfunctioning of the city's water and sewer systems due to flooding.

Proposed Solution - The proposed TSEP project would lower the City's water and sewer mains, in conjunction with a project to construct a flood control dike and related facilities to control the flooding. Both the water and sewer mains would be lowered where they cross underneath Thirty-Mile Creek. Lowering of the mains by the City is necessary for the construction of new proposed flood control facilities by the federal Natural Resources and Conservation Service. Sewage lift station improvements, including lowering of the station, would also be part of the proposed TSEP project.

The DOC review engineer commented that the Applicant submitted inadequate preliminary engineering information for the water and wastewater improvements and there is little information on the specifications for the planned improvements. DOC is recommending that the Applicant submit a complete preliminary engineering report including the complete construction specifications for the water and sewer improvements (refer to the response for Statutory Priority #3 for further explanation).

Overall Ranking On 10 Statutory Priorities (90-6-710 (2) MCA):

The application received 2,255 out of 5,500 points possible, ranking 39th out of 40 applications. (See the 1996 Applications: Ranking Scores For Ten Statutory Priorities Chart in Part 5 of this report.)

DOC Recommendations On Financial Assistance (90-6-710 (2) MCA):

DOC recommends $472, 920 in grant funding for this project because:

1) Based on the methodology used in DOC's financial analysis, the Applicant does not appear to have the financial capacity to borrow the funds requested as an alternative to receiving a TSEP grant. This is an affordability problem.

2) Without the TSEP grant, the combined water and wastewater rates charged to households would be 163% of the target rate, which indicates a serious affordability problem for the ratepayers.

(See the TSEP Financial Gap Analysis/Grant Award Recommendations Chart in Part 5 of this report.)

DOC Recommended Conditions On The Project:

If this project is selected for funding, DOC recommends the following conditions on the project:

1) The Applicant submit a complete preliminary engineering report for the water and sewer improvements as required by the TSEP application guidelines; and submit complete construction specifications for proposed the water and sewer improvements. (See the DOC review engineer's comments under Statutory Priority #3 for additional explanation).
2) The Applicant document that the revised engineering design for the water and sewer improvements represents a cost effective engineering solution.
3) If the revised engineering report indicates that the TSEP funds needed for the water and sewer improvements are less than the $472,920 requested, DOC would only award the amount of funds needed based on the DOC review engineer's analysis.

Rationale For Ranking On 10 Statutory Priorities:

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority.

Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Ranked - BELOW AVERAGE, 250 POINTS

The DOC review engineer stated that a serious deficiency in the water and sewer facilities does not exist in this case. The flooding occurs every two or three years, with significant flooding events at ten or twenty year intervals. The problem of sewer backups is occasional and sporadic, it is not a continual and chronic problem.

There is no written documentation from the DEQ or EPA substantiating the seriousness of the deficiency with the water and sewer facilities. The application contained a report prepared by the Natural Resources Conservation Service (NRCS) which addressed the flooding situations and resulting problems. Documentation substantiating the sewer backups was not included in the application. Copies of water system boil orders, raw wastewater hazard warnings , newspaper articles, or other documentation were not included in the application. The problem was discussed with Mark Smith, DEQ. He stated he was not aware of the situation.

The DOC review engineer ranked the application "below average," concluding that the application did not clearly document the urgency or seriousness of the City's drinking water system and sewer system problems. No written documentation from DEQ or the local sanitarian was included to substantiate the seriousness of the problems. However, the potential for serious public health and safety problems is real during major flooding events which occur every ten to twenty years.

Priority #2: MEETS HEALTH/SAFETY STANDARDS

Ranked - BELOW AVERAGE, 225 POINTS

The DOC review engineer stated that the proposed water and sewer improvements are not necessary to comply with a court order nor a state/federal regulatory directive. No court order or agency directive has issued nor are they expected. Mark Smith of the DEQ voiced a concern as to the potential for contamination of the water supply. However, the application did not cite potential water pollution as a problem. Sewer backups expose residents to dangerous conditions, however, backups are sporadic and occasional. Violation of actual health and safety standards for the water and sewer systems were not documented in the application.

Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Ranked - BELOW AVERAGE, 200 POINTS

The DOC review engineer stated that lowering the water and sewer mains will address the conflict problem between the two utilities and the proposed new channel bottom. The application presented very little information regarding the proposed main locations and new sewage lift station. No formal engineering report was included in the application to discuss these improvements, although the TSEP application guidelines require applicants to submit these preliminary engineering reports based on an interagency outline for preliminary engineering. The application did include a letter from HKM Engineering to PEC Engineering with a proposed water main relocation drawing; a letter back from PEC Engineering with a cost estimate; and a two-page letter from Milk River Engineering briefly discussing the need for a new lift station with a brief cost estimate. No professional documentation was included to address the lowering of the sewer main.

The DOC review engineer stated that the engineering analysis, for the water and sewer relocations is very substandard in the application. For example, the length of sewer main to be lowered was not addressed. There was little discussion regarding the existing and proposed lift station in the application. Numerous questions need to be addressed that have a significant impact on the project costs. The project costs as presented do not add up and are not well supported. Further investigation may show different alternatives are viable at significantly lower costs. The application stressed the need for the flood control project but does little to document the need for the TSEP project (drinking water system and sewer system improvements). The existing water and sewer mains are apparently operating fine and there is no documented need for replacement based on deficiencies of the mains.

Priority #4: BENEFITS TO PUBLIC COMPARED TO DOLLAR REQUEST

Ranked - AVERAGE, 350 POINTS

This water and sewer improvements application was ranked "below average" in terms of the urgency of the threat to public health (TSEP Statutory #1), compliance with regulations (TSEP Statutory Priority #2), and cost-effective engineering design (TSEP Statutory Priority #3).

However, on the positive side, relocation and lowering of the water and sewer lines is a prerequisite necessary to construct a flood control facility to prevent flooding in the City. Preventing the flooding is a long term solution to prevent potential or actual water and sewer system problems caused by the flooding. Also, the amount requested is moderate compared to other applications. The cost per household is $1,310. Matching funds (83% match) are in the highest percentage group out of a total of four groups. There has been some long-term commitment to planning and financing by the Applicant in order to provide public facilities and services

that are adequate and cost effective. In conclusion, because of the offsetting negative and positive factors the DOC ranking team suggests that this project would result in an average benefit to the public commensurate with the amount of financial assistance requested.

Priority #5: REFLECTS GREATER FINANCIAL NEED (COMPETITIVE RANKING INDICATORS)

Ranked - 355 POINTS

The adjusted score, based on a weighted distribution of the total 600 available points for Statutory Priority #5, including Indicator #1 (relative economic condition of households) and Indicator #2 (target rate analysis).

(Lower ranking indicates greater financial need. For example, ranking 1st indicates a greatest need; ranking 40th indicates least financial need.)

Indicator 1. Household Economic Condition:

MHI	$18,977
% persons at or below LMI	49%
% persons at or below poverty	24.9%

Household Economic Condition Ranking: 13th in the field of 40 applications.

Analysis for Harlem's wastewater treatment improvement request shows that the median income of the city's households is 18,977(16th lowest of 40) among applicants for the 1996-97 TSEP financing cycle and that the relative concentration of persons living at or below the levels of poverty and "low and moderate" income is 6th and 14th. This combination of factors impacting the economic condition of the households produces a rank of 13th of the 40 applicants.

Indicator 2. Target Rate Analysis:

Existing Monthly Rate	$40.13
Variance From Target Rate	128%
Monthly Rate With No Assistance	$50.92
Variance From Target Rate	163%
Monthly Rate With Full TSEP Assistance	$40.13
Variance From Target Rate	128%

Target rate analysis ranking: 19th in the field of 40 applications.

Overall Competitive Ranking: 21st in the field of 40 applications = 355 points.

Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Ranked - ABOVE AVERAGE, 375 POINTS

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
TSEP	Grant	$ 472,920	Applied/No Decision
NRCS	Grant	$2,300,000	Awaiting Congressional Appropriation.
Total		$2,772,920	

The Applicant proposes to provide 83% matching funds. The matching funds are in the highest percentage group out of a total of four groups. No funds are yet committed. There was no discussion in the application of the other potential funding sources for the water and sewer improvements. For example, RD funds could have been analyzed in the application for both the water and sewer improvements. Also, SRF funds could have been analyzed in the application for the sewer improvements.

Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Ranked - AVERAGE, 200 POINTS

The project represents a general infrastructure improvement and would not directly result in the creation or retention of any long-term, full-time jobs. The Applicant did not provide any documentation that this project would directly provide any long-term, full-time job opportunities, but did comment that the north side area of the community has a significant number of vacant lots which would be desirable for development if it were not for the flooding problems.

Priority #8: ALLOWS EXPANSION OF BUSINESS

Ranked - AVERAGE, 150 POINTS

The project represents a general infrastructure improvement and would not directly result in the expansion of a specific business. The Applicant did not discuss nor provide any documentation that this project was necessary for the expansion of any particular business, but did comment that the north side area of the community has a significant number of vacant lots which would be desirable for development if it were not for the flooding problems.

Priority #9: MAINTAINS TAX BASE

Ranked - AVERAGE, 100 POINTS

The project represents a general infrastructure improvement that should maintain and may even expand the tax base. No appropriate private sector alternatives were identified in the application. The Applicant stated that the values of the home in the area subject to flooding have also fallen over the years. With the project, there

will be a potential for growth in the area for both commercial and residential development.

Priority #10: HAS STRONG COMMUNITY SUPPORT

Ranked - AVERAGE, 50 POINTS

The City held a public hearing for the TSEP water/sewer application. The Town published a legal notice regarding the TSEP hearing in the newspaper. Minutes of the public hearing were provided. The City held other meetings regarding the flooding problem.

Total Points on 10 Priorities: 2,255 points out of 5,500 points possible.

PROJECT NO. 40
APPLICANT: RICHLAND COUNTY

Type Of Project: BRIDGE REPLACEMENT

Funding Sources:

TSEP REQUEST		MATCHING FUNDS	
TSEP Grant	$398,750	DNRC Grant	$100,000
		MDT Grant	$200,000
		County Cash	$ 63,750
		County In-Kind	$ 35,000
Total	$398,750		$398,750

Project Total: $797,500

Percent Of Matching Funds: 50%

Project Summary:

Problem - Richland County has indicated that Lone Tree Creek has a flooding problem as a result of two dams upstream which were required to be modified to meet dam safety standards. The Applicant indicates that the dams provided flood protection prior to being modified. As a result, the County has indicated that two bridges in the City of Sidney, the 9th Street Bridge and Airport Road Bridge, will not be able to accommodate the creek when it is rehabilitated to eliminate the flooding problems.

The Department of Natural Resources and Conservation (DNRC) and the DOC review engineer have commented that it has not been shown through any analysis, that the creek needs to be rehabilitated, and therefore, the bridges would not necessarily need to be replaced. A Federal Emergency Management Administration (FEMA) study concluded that the dams did not have an effect on the 100 year frequency flood. DNRC commented that these dams are small and little effect on large events (100 year floods).

Proposed Solution - The County has proposed to rehabilitate Lone Tree Creek, and that two bridges in the City of Sidney, the 9th Street Bridge and Airport Road Bridge, will need to be replaced to accommodate the creek rehabilitation.

DNRC commented that a significant portion of the flooding problem can be attributed to debris accumulation in the existing channel which could be improved by clearing the debris. As a result of the various comments collected regarding this project, it is not clear, nor has it been shown through proper analysis, that the creek needs to be rehabilitated, and therefore requiring that the bridges be replaced.

Furthermore, the DOC review engineer has also commented that the two bridges have a sufficiency rating of greater than 50, which is considered in the rehabilitation category, and as a result, replacement of the bridges based on their condition is not necessary. The 9th Street Bridge was given a sufficiency rating of 53 out of a possible 100 by MDT, although the substructure is rated 3 (out of 10) which is considered a serious situation. This is due to decay under the existing timber pile caps. The Airport Road Bridge was given a sufficiency rating of 66.8 out of a possible 100 by MDT, and the substructure is rated 6 (out of 10) which is considered in satisfactory situation (structural elements show some minor deterioration). This is due to the crushing at the very end of the existing timber pile cap at abutment number two. Bridges with a sufficiency rating of 50 or more is considered in the rehabilitation category, and as a result, replacement of the bridges based on their

condition is not necessary. The applicant indicated that these bridges would not survive a 100 year storm as outlined by FEMA, but no hydraulic analysis or documentation was provided to support this concern. Given the ratings by MDT, the two bridges while in need of some structural repairs, are not deficient enough to be replaced entirely.

Given the lack of analysis indicating the need to rehabilitate Lone Tree Creek, and the sufficiency rating of the two bridges of above 50, this project should not be funded based on lack of need to rehabilitate the Lone Tree Creek and subsequently replacing the two bridges.

Overall Ranking On 10 Statutory Priorities (90-6-710 (2) MCA):

The application received 2,242 points out of 5,500 points possible, ranking 40th out of 40 applications. (Refer to the 1996 Applications: Ranking Scores For Ten Statutory Priorities Chart in Part 5 of this report).

DOC Recommendation On Financial Assistance (90-6-710 (2) MCA):

DOC does not recommend funding for this project because:

The Applicant has not adequately justified and documented the need for this project as discussed in the section above.

DOC Recommended Conditions On The Project:

Not applicable for this project since it is not recommended for funding.

Rationale For Ranking On 10 Statutory Priorities:

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority.

Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Ranked - BELOW AVERAGE, 250 POINTS

The project as proposed, by the Applicant, to rehabilitate Lone Tree Creek has not been sufficiently analyzed and documented, and therefore, the need to replace the two bridges has not been sufficiently justified. Neither the 9th Street Bridge and the Airport Road Bridge are in need of replacement due to their condition.

The Applicant proposed this project based on the need to rehabilitate Lone Tree Creek as a result of two dams upstream which were required to be modified to meet dam safety standards. The Applicant indicates that previously these dams provided flood protection. The Federal Emergency Management Administration (FEMA) study concluded that the dams did not have an effect on the 100 year frequency flood. DNRC commented that these dams are small and have little effect on large events (100 year floods). DNRC went on to say that a significant portion of the flooding problem can be attributed to debris accumulation in the existing channel which could be improved by clearing the debris. As a result of these comments, it is not clear, nor has it been shown through proper analysis, that the creek needs to be rehabilitated, thereby requiring that the

bridges be replaced.

The 9th Street Bridge was given a sufficiency rating of 53 out of a possible 100 by MDT, although the substructure is rated 3 (out of 10) which is considered a serious situation. This is due to decay under the existing timber pile caps. The Airport Road Bridge was given a sufficiency rating of 66.8 out of a possible 100 by MDT, although the substructure is rated 6 (out of 10) which is considered in satisfactory situation - structural elements show some minor deterioration. This is due to the crushing at the very end of the existing timber pile cap at abutment number two. Bridges with a sufficiency rating of 50 or more is considered in the rehabilitation category, and as a result, replacement of the bridges based on their condition is not necessary. The Applicant commented that these bridges would not survive a 100 year storm as outlined by FEMA maps, but the DOC review engineer commented that no hydraulic analysis or documentation was provided to support this conclusion.

Priority #2: MEETS HEALTH/SAFETY STANDARDS

Ranked - AVERAGE, 450 POINTS

Both bridges have received a sufficiency rating by MDT above 50, and the deficiencies that have been identified could be repaired instead of replacing the bridges entirely. The project as proposed is not clearly justified.

Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Ranked - BELOW AVERAGE, 200 POINTS

It is not clear that the bridges need to be replaced due to either their condition or the need to rehabilitate the creek. It appears from comments by DNRC and the DOC review engineer that the preliminary engineering analysis is deficient is several aspects and requires additional analysis to document the need for this project. The project is based upon the need to rehabilitate Lone Tree Creek and yet there was no hydraulic analysis to show the hydraulics of the stream bed or how it has changed as a result of the dams being modified. There is also no analysis concerning the hydraulic capacity of the bridges and the impact of a 100-year flood. It is not clear that all reasonable alternatives have been analyzed, nor does the technical design proposed for the project appear to represent the most efficient, appropriate, and cost-effective option for resolving the local public facility need. The DOC review engineer also questioned the size of the proposed bridges.

Priority #4: BENEFITS TO PUBLIC COMPARED TO DOLLAR REQUEST

Ranked - BELOW AVERAGE, 175 POINTS

This project would result in an below average benefit to the public commensurate with the amount of financial assistance requested. It has not been adequately demonstrated by the Applicant that there is a need for the proposed project.

The amount requested per household ($185) is relatively low compared to other applications, however, matching funds (50%) are only in the third highest percentage group. The County has made some efforts to deal with the public facility problem through a long-term commitment to planning and budgeting, and by raising taxes to the maximum reasonable extent.

Priority #5: REFLECTS GREATER FINANCIAL NEED (COMPETITIVE RANKING INDICATORS)

Ranked - 392 POINTS

The adjusted score is based on a weighted distribution of the total 600 available points for Statutory Priority #5, including indicator #1 (relative economic condition of households) and indicator #2 (target rate analysis).

(Lower ranking indicates greater financial need. For example, ranking 1st indicates a greatest need; ranking 40th indicates least financial need.)

Indicator 1. Household Economic Condition:

MHI	$23,264
% persons at or below LMI	36%
% persons at or below poverty	14%

Household Economic Condition Ranking: 33rd in the field of 40 applications.

Analysis for Richland County's bridge replacement request shows that the median income of the County's households is relatively high (34th lowest of 40) among applicants for the 1996-97 TSEP financing cycle and that the relative concentration of persons living at or below the levels of poverty and "low and moderate" income is average to low (23rd and 31st of the 40 applicants). This combination of factors impacting the economic condition of the households produces a rank of 33rd of the 40 applicants.

Indicator 2. Target Rate Analysis:

(Note: Target Rate Analysis is not applicable to bridge projects. A score for Indicator 2 is assigned based on the Applicant's answers to the ten questions used to determine what the Applicant has done to finance bridge projects in the past.)

1) Since 1990, the County has been developing an infrastructure condition inventory of all of its roadway features. This inventory also includes information on when bridges will be replaced or rehabilitated.

2) The County has raised the bridge mill levy from 2.35 mills in 1986-7 to 10 mills in 1995-6. The County has levied the maximum mills authorized for bridges (10 mills) since FY91.

3) Over the last 4 years, Richland County averaged $134,126 per year on capital expenditures directly related to bridge replacement and repairs. The average spending has exceeded the budgeted amount of $118,500 per year. As a result, the available cash to start the succeeding years has been reduced by $100,000.

Target Rate Analysis Ranking: 5th in the field of 40 applications.

Overall Competitive Ranking: 16th in the field of 40 applications = 392 points.

Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Ranked - AVERAGE, 250 POINTS

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
TSEP	Grant	$398,750	Applied/No Decision
DNRC	Grant	$100,000	Applied/No Decision
MDT-Urban	Grant	$200,000	Committed But No Contract
County/City	Cash	$63,750	Committed
County/City	In-Kind (Ineligible)	$35,000	
Total		$797,500	

Matching funds (50%) are only in the third highest group compared to other applicants. It has been indicated that the MDT funds are committed, but the contract will not be signed until April 1998 and there was no documentation. The County has indicated by letter that their funds are committed, but $35,000 of those funds are listed as in-kind which are not eligible matching funds. There is a brief reference to other alternative funding sources, but they were not discussed.

Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Ranked - AVERAGE, 200 POINTS

The project represents a general infrastructure improvement and would not directly result in the creation or retention of long-term, full-time jobs.

Priority #8: ALLOWS EXPANSION OF BUSINESS

Ranked - AVERAGE, 150 POINTS

The project represents a general infrastructure improvement and would not directly result in the expansion of a specific business.

Priority #9: MAINTAINS TAX BASE

Ranked - AVERAGE , 100 POINTS

The project represents a general infrastructure improvement that should protect and may even expand the tax base. No appropriate private sector alternatives were identified.

Priority #10: HAS STRONG COMMUNITY SUPPORT

Ranked - ABOVE AVERAGE, 75 POINTS

Two public hearing have been held to discuss needs and priorities in general, and this project in particular. The public was not informed of any increase in assessments because none are anticipated. Since 1990, the County has been developing an infrastructure condition inventory of all of its roadway features. This inventory also includes some information on when and how bridges will be replaced or rehabilitated.

Total Points on 10 Priorities: 2,242 points out of 5,500 points possible.

APPENDIX A
ENABLING STATUTE

The Treasure State Endowment Program (TSEP) is a state-funded program designed to assist communities in financing public facilities projects. It was authorized by Montana voters with the passage of Legislative Referendum 110 on June 2, 1992. The law has been codified as Sections 90-6-701 through 90-6-710, MCA.

90-6-701. Treasure state endowment program created -- definitions. (1) (a) There is a treasure state endowment program that consists of:

(i) the treasure state endowment fund established in 17-5-703;

(ii) the infrastructure portion of the coal severance tax bond program provided for in 17-5-701(2).

(b) The treasure state endowment program may borrow from the board of investments to provide additional financial assistance for local government infrastructure projects under this part, Provided that no part of the loan may be made from retirement funds.

(2) Interest from the treasure state endowment fund and from proceeds of the sale of bonds under 17-5-701(2) may be used to provide financial assistance for local government infrastructure projects under this part and to repay loans from the board of investments.

(3) As used in this part, the following definitions apply:

(a) "Infrastructure projects" means:

(i) drinking water systems;

(ii) wastewater treatment;

(iii) sanitary sewer or storm sewer systems;

(iv) solid waste disposal and separation systems, including site acquisition, preparation, or monitoring; or

(v) bridges.

(b) "Local government" means an incorporated city or town, a county, a consolidated local government, or a county or multi-county water, sewer, or solid waste district.

(c) "Treasure state endowment fund" means the coal severance tax infrastructure endowment fund established in 17-5-703(1)(b).

(d) "Treasure state endowment program" means the local government infrastructure investment program established in subsection (1).

90-6-702. Purpose. The purpose of the treasure state endowment program is to assist local governments in funding infrastructure projects that will:

(1) create jobs for Montana residents;

(2) promote economic growth in Montana by helping to finance the necessary infrastructure;

(3) encourage local public facility improvements;

(4) create a partnership between the state and local governments to make necessary public projects affordable;

(5) support long-term, stable economic growth in Montana;

(6) protect future generations from undue fiscal burdens caused by financing necessary public works;

(7) coordinate and improve infrastructure financing by federal, state, local government, and private sources; and

(8) enhance the quality of life and protect the health, safety, and welfare of Montana citizens.

90-6-703. Types of financial assistance available. (1) The legislature shall provide for and make available to local governments the following types of financial assistance under this part:

(a) matching grants for local infrastructure projects;

(b) annual debt service subsidies on local infrastructure projects; and

(c) loans from the proceeds of coal severance tax bonds at a subsidized interest rate.

(2) The department of natural resources and conservation and the department of commerce:

(a) may adopt rules to commit to interest rate subsidies for local infrastructure projects and may allow the subsidies to be paid over the life of the loan or bonding period; and

(b) may make deferred loans to local governments for preliminary engineering study costs. The applicant shall repay the loans whether or not the applicant succeeds in obtaining financing for the full project. Repayment may be postponed until the overall construction financing is arranged.

90-6-704 through 90-6-709 reserved.

90-6-710. Priorities for projects -- procedure -- rulemaking. (1) The department of commerce must receive proposals for projects from local governments as defined in 90-6-701(3)(b). The department shall work with a local government in preparing cost estimates for a project. In reviewing project proposals, the department may consult with other state agencies with expertise pertinent to the proposal. The department shall prepare and submit a list containing the recommended projects and the recommended form of financial assistance for each project to the governor, prioritized pursuant to subsection (2). The governor shall review the projects recommended by the department and shall submit a list of recommended projects and the recommended financial assistance to the legislature.

(2) In preparing recommendations under subsection (1), preference must be given to projects based on the following order of priority:

(a) projects that solve urgent and serious public health or safety problems;

(b) projects that enable local governments to meet state or federal health or safety standards;

(c) projects that incorporate appropriate, cost-effective technical design and that provide thorough, long-term solutions to community public facility needs;

(d) projects that result in a benefit to the public commensurate with the amount of financial assistance. However, the benefit to the public may not be measured by population alone.

(e) projects that reflect greater need for financial assistance than other projects;

(f) projects that enable local governments to obtain funds from sources other than the funds provided under this part;

(g) projects that provide long-term, full-time job opportunities for Montanans;

(h) projects that provide public facilities necessary for the expansion of a business that has a high potential for financial success;

(i) projects that maintain the tax base or that do not discourage expansion of the tax base; and

(j) projects that are high local priorities and have strong community support.

(3) After the review required by subsection (1), the projects must be approved by the legislature.

(4) The department shall adopt rules necessary to implement the treasure state endowment program.

APPENDIX B
RANKING QUESTIONS AND SCORING CRITERIA
(STAGE 1 OF RANKING)

A. APPLICATION SCORING SYSTEM -

The TSEP Enable Statute requires DOC to recommend a list of projects for TSEP funding, giving preference according to the Legislature's order of priority for projects and to recommend the form financial assistance for each.

Each TSEP applicant is required to submit a narrative as part of its application which describes the relationship of the proposed TSEP project to the statutory priorities for TSEP projects.

Each application is assigned points based upon the extent to which the proposed project is consistent with and responds to each statutory priority, in comparison to the other TSEP applications submitted, as follows:

MOST CONSISTENT	Total Available Points
MORE CONSISTENT	Three-Fourths Available Points
GENERALLY CONSISTENT	One-Half Available Points
LEAST CONSISTENT	One-Fourth Available Points
NOT APPLICABLE	Zero Points

The total number of points assigned to each TSEP application is based upon its cumulative response to the ten statutory priorities for TSEP projects.

B. STATUTORY ORDER OF PRIORITY FOR TSEP PROJECTS -

A declining numerical score has been assigned to each succeeding priority to reflect the TSEP statute's order of priority for funding TSEP projects. The TSEP statutory criteria and the numerical score for each are listed below, in order of priority.

	MAXIMUM POSSIBLE
Statutory Priority #1 (Urgent or Serious Health or Safety Problems)	1000 Points
Statutory Priority #2 (Compliance with State or Federal Standards)	900 Points
Statutory Priority #3 (Appropriate Design and Long-Term Solution)	800 Points
Statutory Priority #4 (Cost-effective Public Benefit)	700 Points

Statutory Priority #5 (Greater Financial Need)	600 Points
Statutory Priority #6 (Funds from Other Sources)	500 Points
Statutory Priority #7 (Long-term, Full-time Jobs)	400 Points
Statutory Priority #8 (Business Expansion)	300 Points
Statutory Priority #9 (Maintenance of Tax Base)	200 Points
Statutory Priority #10 (Community Support)	100 Points
TOTAL	5500 Points

THE TOTAL MAXIMUM POSSIBLE NUMBER OF POINTS = 5500 POINTS

C. TSEP STATUTORY PRIORITIES AND RANKING CONSIDERATIONS

The following section lists the ten statutory priorities for TSEP projects, along with the major issues that are considered by DOC in evaluating each applicant's response.

STATUTORY PRIORITY #1 **1000 Possible Points**

Projects that solve urgent and serious public health or safety problems.

a) Does a serious deficiency exist in a basic or necessary community public facility or service, such as the provision of a safe domestic water supply or does the community lack the facility or service entirely?

b) Have circumstances clearly attributable to a deficiency occurred, or are they likely to occur, such as serious illness, disease outbreak, substantial property loss, serious environmental pollution, or serious safety problems or hazards?

c) Is the entire community, or a substantial percentage of the residents of the community, seriously affected by the deficiency?

d) Is the problem existing, continual, and chronic as opposed to occasional, sporadic, probable or potential?

e) Is there written documentation from state or federal agencies which substantiates the seriousness of the deficiency, such as a "boil order" issued by the Montana Department of Environmental Quality?

STATUTORY PRIORITY #2 **900 Possible Points**

Projects that enable local governments to meet state or federal health or safety standards.

a) Is the proposed TSEP project necessary to comply with a court order or a state or federal agency directive?

b) Is there clear documentation that the current condition of the public facility (or lack of a facility) violates a state or federal health or safety standard?

c) Does the health or safety standard which is being violated represent a significant threat to public health or safety (after taking into account Statutory Priority #1)?

d) Does the project thoroughly address the problem and provide a reasonably complete and long-term solution for compliance with the health or safety standard?

STATUTORY PRIORITY #3 **800 Possible Points**

Projects that incorporate appropriate, cost-effective technical design and that provide thorough, long-term solutions to community public facility needs.

a) Does the project thoroughly address the problem and provide a reasonably complete and long-term solution in relation to the applicant's financial capacity and available funding sources?

b) In cases where the proposed project will not completely resolve the community's public facilities need, does the project represent a complete component of an overall program?

c) After thoroughly considering all reasonable alternatives, does the technical design proposed for the project represent the most efficient, appropriate, and cost-effective option for resolving the local public facility need, considering the size and resources of the community, the complexity of the problems addressed, and the cost of the project?

d) Are there any apparent environmental or technical problems which could delay or prevent the proposed project from being carried out or which could add significantly to project costs?

e) For projects involving community water system improvements, has the conversion to a water metering system been thoroughly analyzed and has the applicant decided to install meters? In those cases where meters are not proposed, does the applicant's preliminary engineering study clearly demonstrate that the use of meters is not feasible or appropriate?

STATUTORY PRIORITY #4 **700 Possible Points**

Projects that result in a benefit to the public commensurate with the amount of financial assistance requested. However, the benefit to the public may not be measured by population alone.

a) Has the applicant demonstrated a long-term commitment to comprehensive planning in order to provide public facilities and services that are adequate and cost effective?

b) Have there been substantial past efforts to deal with the public facility problem through a long-term commitment to capital improvement planning and budgeting or by raising taxes, hook-up charges, user charges or fee schedules to the maximum reasonable extent?

c) Have reasonable operation and maintenance budgets and practices been supported by the community over the long-term, including adequate reserves for repair and replacement?

d) If there are indications that the problem is not of recent origin or has developed because of past inadequate operation and maintenance practices, has the applicant thoroughly explained the

circumstances and described the actions that will be taken in the future to assure that the problem will not reoccur?

e) In the case of TSEP matching grants, is the amount of TSEP funds requested per household to be assisted less than $5,000 per household, unless both tests described in the TSEP Application Guidelines are met?

STATUTORY PRIORITY #5 — 600 Possible Points

Projects that reflect greater need for financial assistance than other projects.

This criterion assesses the applicant's need for financial assistance using DOC's comparative analysis of financial indicators for all TSEP applicants. The analysis assesses:

a) whether the applicant's need for TSEP assistance is greater than other applicants;

b) if the applicant's proposed level of local financial participation in the project is the maximum amount that can reasonably be expected; and

c) whether the proposed project could reasonably be accomplished without TSEP assistance.

The amount of points assigned to a project depends on the applicant's relative financial need compared to other applicants using a comparative analysis of financial indicators. In order to score applications on this priority, DOC staff assesses each applicant's relative need for TSEP assistance. The financial assessment also serves as the basis for DOC's recommendations regarding the amount of financial assistance awarded to each project.

STATUTORY PRIORITY #6 — 500 Possible Points

Projects that enable local governments to obtain funds from sources other than TSEP.

a) Will TSEP participation in the proposed project enable or assist the applicant to obtain funds from sources other than TSEP?

b) Will the proposed TSEP project leverage a high ratio of non-TSEP investment in relation to the TSEP funds requested?

c) Are non-TSEP funding sources firmly committed and will they be available when TSEP funds are provided?

d) If firm non-TSEP funding commitments have not been secured, has the applicant provided evidence of serious efforts to thoroughly seek out and secure the firm commitment of alternative or additional funds from all appropriate public or private sources to assist in financing the proposed project?

STATUTORY PRIORITY #7 — 400 Possible Points

Projects that provide long-term, full-time job opportunities for Montanans.

a) Has the applicant strongly documented that the proposed TSEP project will directly result in the creation or retention of a substantial number of long-term, full-time jobs for Montanans?

b) Has the applicant clearly justified and documented the claimed number of indirect long-term, full-time jobs to be created or retained as a result of the TSEP project?

STATUTORY PRIORITY #8 **300 Possible Points**

Projects that provide public facilities necessary for the expansion of a business that has a high potential for financial success.

a) Has the applicant thoroughly documented that the proposed business expansion requires TSEP assistance to provide public facilities in order to proceed?

b) Is the business plan for the specific firm(s) to be assisted by the proposed TSEP project a realistic, well-reasoned business expansion proposal and does it clearly demonstrate that the firm to be assisted has a high potential for financial success if TSEP funds are received?

STATUTORY PRIORITY #9 **200 Possible Points**

Projects that maintain or do not discourage expansion of the tax base.

a) Has the applicant provided clear documentation that the proposed TSEP project will support and not discourage expansion of the private property tax base?

b) Did the applicant seriously evaluate the option of utilizing the private sector to resolve the identified public facility problem in situations where a private sector alternative may be reasonably appropriate and capable of providing a long-term, cost-effective solution?

STATUTORY PRIORITY #10 **100 Possible Points**

Projects that are high local priorities and have strong community support.

a) Did the applicant provide thorough documentation of active citizen participation, including at least one public hearing or meeting held not more than 12 months prior to the date of the application, to discuss the proposed TSEP project with the affected community residents?

b) Has the applicant provided thorough documentation that local citizens and affected property owners have been informed of the estimated cost per household of any anticipated increases in assessments or user charges and are in support of the project?

c) Has the applicant assessed its public facility needs, established priorities for dealing with them through an officially adopted public facilities plan or a capital improvements program, and is the proposed TSEP project a high priority of that plan or program?

ENVIRONMENTAL IMPACT

The Montana Environmental Policy Act seeks to avoid or mitigate adverse impacts on the natural and human environment by mandating careful consideration of the potential impacts of any development to be assisted with state funds. In addition, TSEP projects are subject to numerous other state environmental laws.

a) Has the applicant adequately assessed potential environmental impacts?

b) Based on the information provided by the applicant, are any adverse long-term environmental impacts anticipated as a result of this project? If so, has the applicant proposed reasonable measures to mitigate the potential adverse impacts?

Coal Severance Tax

Distribution effective 7-1-95

Tax Revenue flow

Investment Income flow

Identifies the Permanent Trust

50 %

50 %

Distributed in accordance with section 15-35-108, MCA

17-5-703(2), MCA
July 1 each year calculate the amount needed to meet the bond payments for the next 12 months.

Coal Tax Bond Fund
(must maintain collateral reserves for coal tax bonds)

Additional School bond collateral needed

YES

School Bond Contingency Loan Fund
(must maintain collateral reserves for school bonds until 2004)

NO

Balance Remaining

Monthly transfer 50% of the balance remaining to Treasure State with 50% going to the Coal Severance Tax Permanent Fund

50 %

17-5-703(4) MCA

50 %

Treasure State Endowment Fund

Coal Severance Tax Permanent Fund

Transfer up to $3,250,000 for Microbusiness Finance loans

Treasure State Endowment Income Fund

Coal Tax Income Fund
17-5-703 MCA

Earnings transferred to meet obligations for projects of local governments

100 %

17-5-704 MCA

Treasure State Endowment Special Revenue Fund

Microbusiness Finance Program

General Fund

12%

Long Range Building Program

8.36%

State Special Revenue Account used for:

- Local Impact Account
- County Land Planning Account
- Montana Growth Through Agriculture Act
- Conservation Districts
- State Library Commission

.95%

Renewable Resource Loan Debt Service Fund

.63%

Trust Fund for art in the State Capitol

1.27%

Park Acquistion Trust

26.79%
(Balance)

General Fund

COMPILED BY THE LEGISLATIVE AUDIT DIVISION July 26, 1995

Coal Severance Tax

Distribution effective 7-1-85

50 %

Distributed in accordance with section 15-35-108, MCA

1.25%

Long Range Building Program

8.33%

State Special Revenue Account used for:

Local Impact Account

County Land Planning Account

Montana Growth through Agriculture Act

Conservation Districts

State Library Commission

50 %

Coal Tax Bond Fund

(Bond revenue utilizing revenue for coal tax bonds)

Yes

Bonds Sold

No

Balance Transferred

50 %

Coal Severance Tax Permanent Fund

50 %

Treasure State Endowment Fund

Transfer up to $5,000,000 to Microbusiness Finance Loans

Coal Tax Income Fund

(Interest Income)

100 %

17-6-704 MCA

Treasure State Endowment Loans Fund

Earnings transferred in lieu of obligations for projects as local governments

Treasure State Endowment Special Revenue Fund

General Fund

Microbusiness Finance Program

.80%

Renewable Resource Loan Debt Service Fund

.83%

Total Fund for art in the State Capitol

1.275%

Park Acquisition Trust

Tax Income Mix

Interest Income Mix

Identical Percent Mix

500 copies of this public document were published at an estimated cost of $9.60 per copy, for a total cost of $4,800.00, which includes $4,800.00 for printing and $.00 for distribution.